Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS ISSUE 35 OCTOBER 2013

THIRTY YEARS OF CHELSEA

30 years in the life of a fund manager

30 years of global change and technological advance

30 years of Chelsea investors

WIN £1,000 OF UNITS
We celebrate with a competition

CHELSEA
Investment Intelligence™

Welcome to Viewpoint **...and happy birthday to us!**

Welcome to our special **30th anniversary edition** of Viewpoint. In this issue we reflect on the past 30 years in the investment industry – including the recollections and observations of leading fund managers. And of course, you'll also find the usual wealth of ideas, research and information for self-investors.

We hope you enjoy our trip down memory lane...

New to ISAs? ...or just pushed for time?

Experienced investor ...just looking for some guidance?

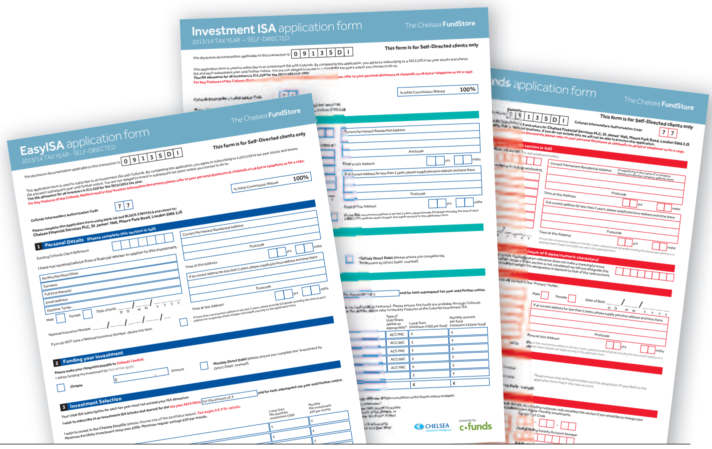
Look here for the results of our research into the thousands of funds available to investors...

If you're looking for more depth or background and useful information...

This issue's special anniversary features:

Product ideas and guidance for investors...

Remember, you can invest today – all the forms you need are here.



Chelsea: past, present and future

DR JOHN HOLDER
Chairman, Chelsea

I CAN'T QUITE BELIEVE IT'S NOW 30 YEARS SINCE I FOUNDED CHELSEA FINANCIAL SERVICES. AN AWFUL LOT HAS CHANGED SINCE THEN, BUT I'M HAPPY TO SAY THAT THE CORE OF OUR BUSINESS – MAKING SURE CUSTOMERS GET VALUE FOR MONEY – IS STILL THE SAME.

PAST

Having spent three years teaching and a further two years working for a charity, in 1981 I moved to a City job with Hambro Life. Within a short space of time I identified that private investors would get a much better deal if the volume of sales could be increased. Thus my first business, Chelsea Financial Services, was established and discount-broking in the UK was pioneered.

The main premise of the business was that, with enough volume, I would be able to pay most of the initial commission charged on products back to investors, providing them not only with a better deal but also more choice. Not unsurprisingly, investors loved this, and the three people who were employed at the time were rushed off their feet as the business was an instant success.

However, it wasn't a popular move amongst other industry players. Several very large providers, under pressure from IFAs, stopped dealing with us and one of our biggest competitors even tried to get us squeezed out of the market. Thankfully it didn't work and, years later, we were able to get an even better deal for investors by being the first company to discount the whole initial charge on Personal Equity Plans and, later, ISAs. As a result, a whole generation of investors have saved many millions of pounds in charges over the last three decades.

PRESENT

In the intervening years, there have been many changes and significant events for both investors and the industry. Chelsea as a business has evolved too, helping our clients better navigate these events, by providing tax-efficient products, quality service and the tools to help them achieve their goals. While discounts and giving investors a better deal is still core to our business, over the last 10 years we've also spent a lot of time and resource developing our fund research capabilities.

30 years ago, the majority of investments were in UK equities with only some in exotic far away places... like Europe! Today our clients can invest in equities from every corner of the world and in many other asset classes, from bonds to commodities.

As the choices have grown, we've extended our research to cover all these areas, in the quest to find the funds and managers we believe will deliver the most consistent returns over the long term. Our five-strong team of researchers interview more than 400 fund managers every year. We've also created our EasyISAs and, more recently, Junior EasyISAs for those who don't have the time to research and construct portfolios themselves.

Many changes have taken place in our company but there is still a family feel to the business and a number of familiar faces who have remained with us throughout the years.

FUTURE

The investment industry is going through a sea change with the implementation of the Retail Distribution Review. This review, conducted by the Financial Services regulator, has changed the way financial products are distributed. While the new regulations are already in place for financial advisers, from 6th April 2014 they are being extended to all execution-only brokers like ourselves and we will have to change the way we charge our clients for our services.

Up until next April, investors will continue to pay an initial charge on investment funds (usually 3-5% of the investment, which Chelsea discounts to 0% in virtually all cases) and an annual charge of typically 1.5%, which was taken automatically from the investors' pot of money. Of this annual charge, the fund management company has typically held on to 0.75%. They then paid 0.5% to the financial adviser or intermediary, and 0.25% to the fund platform:

Typical annual charge for a fund	Of this, the fund manager received	Of this, the platform received	Of this, intermediary received
1.5%	0.75%	0.25%	0.50%

The new regulations require that, instead of this amount being taken as one payment, the client will need to pay the fund management company, the platform and the intermediary separately. Just think of airline pricing: instead of paying a one-off fee that you might associate with British Airways, which covers all the flight's costs, there will now be a payment structure more like Ryanair's, with a fee for the person, plus the baggage, plus the airport tax.

An unfortunate consequence of these changes is that financial advice has become more expensive – paying £1,500 for advice on a £50,000 pot of money is now not unusual – and we've had an increasing number of new clients coming to us in the last few months who are either unwilling to pay increased fees to an adviser, or who have been 'orphaned' by a financial adviser whose business model means they must focus only on clients with larger pots of money.

I firmly believe that Chelsea, with our fund research team and quality, personal service, is ideally placed to help the increasing number of DIY investors, who need some guidance and information to help them make their own investment decisions. And while we are still reviewing the changes we ourselves will have to make, I can say with all certainty that, whatever we decide, our prices will not be going up and, if we can, we will further reduce them. Full information on the charging structure going forward will be clearly explained in your next Viewpoint.

The future is looking very positive and, with an eye to making sure our investors are getting good value for money at all times, we will continue to invest in our research process, and the services we offer, so that the next generation of investors can benefit as much as the last. ■

DARIUS MCDERMOTT'S

Market View

> 15 out of the top 20 performers over the past five years were UK funds. So much for all the doom and gloom surrounding the UK economy.
>
> DARIUS MCDERMOTT
> Managing Director, Chelsea

With our first decent summer in a very long time, the mood of the country lifted, and, along with it, our economic prospects. Is it coincidence, or is there a connection between the two? Whilst the UK economy is not fully recovered, it is certainly out of intensive care – indeed I believe it is out of hospital altogether and recuperating nicely at home. It is noteworthy that a number of managers have mentioned that they do not believe that GDP is being correctly calculated and are anticipating upward revisions. Furthermore, UK managers, who once boasted of the large percentage of overseas earnings from the companies within their portfolios, are now repositioned towards the domestic market – cool Britannia indeed!

CONSOLIDATION

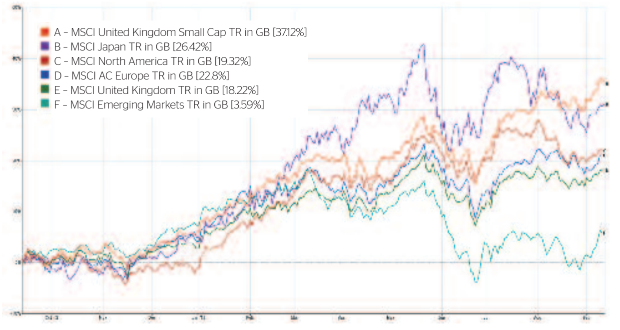
Markets have largely performed well over the past year, with strong gains for investors in developed markets. The end of May saw a wobble, as Federal Reserve chairman, Ben Bernanke began talk of tapering. Central banks have a difficult line to tread – they need to ease markets off QE without causing panic or dramatically increasing the cost of borrowing for over-indebted governments. So far, I believe they are doing quite a good job. Mark Carney's forward guidance went some way to reassuring markets that interest rate rises were not imminent. In the UK we are very sensitive to increases in interest rates, with a rate rise of 0.25% reducing discretionary spending by 1.5%. So you can see why Carney is keen to keep rates low – it wouldn't look good on his cv if he were to pull the rug out from under economic recovery.

Take a look at the graph below and you will see the divergence that tapering talk has caused. Whilst developed markets have coped with the news and largely rebounded, emerging markets have not. The end of QE and the stronger dollar are causing liquidity issues for emerging markets and some are cutting domestic fuel subsidies (a headwind for GDP). We have also seen a sharp disparity in the performance of emerging markets, with those running current account deficits hit much harder following Bernanke's announcement. For instance, India (MSCI), with its high current account deficit, is down 5.11%* over the past year. Furthermore, EM currencies are likely to remain volatile, as they cope with this reduction in liquidity.

For quite some time, I have been expressing my concern regarding the bond market in this column. The danger being that, with interest rates evidently having only one direction in which to travel, the merest hint of a rise would cause a wholesale sell off and impede equity markets into the bargain. However, as I mentioned above, this is currently being managed quite well. Bond yields have now risen 1% and developed equity markets, after their initial wobble, took it in their stride. However, at the risk of sounding like a broken record, there really is little upside from here, with the best hope to maintain income and capital.

Europe and Japan, as you can see from the graph, have produced strong returns. Japan is so interesting at the moment that we have devoted an entire page (page 34) to it. As for Europe, we are awaiting the results of the German elections, but the current relative stability has enabled the market to concentrate on the prospects for companies, rather than economic turmoil, with much benefit for the patient investor.

ANNUAL PERFORMANCE UNIT TRUSTS AND OEICS



Source: Financial Express 2/9/2012-02/9/2013. Total Return, Bid-Bid, from UK Unit Trust and OEICs universe. Rebased in Sterling.

FIVE YEARS ON FROM LEHMAN

Doesn't time fly? I recently took a look at how markets, and in particular funds, have performed since that dark day and I was intrigued to note that 15 out of the top 20 performers were UK funds, largely investing in small and mid-cap stocks. So much for all the doom and gloom surrounding the UK economy.

Had you panicked and sold out of the top performer, Fidelity UK Smaller Companies, post the Lehman's crisis you would have crystallised a loss of up to 30%. However, keeping a cool head and remaining invested would see you now sitting on a gain of 242%**. A lesson to us all in investing for the long term. Another lesson is the benefit of active management, whilst MSCI UK Small Cap returned 108.6%**, if you had invested in Fidelity UK Smaller Companies you would have achieved more than double that. I appreciate that sadly this fund is now closed, but I am very happy to say that a large number of our Selection funds appeared in that top 20.

So, whilst UK smaller companies were clearly the place to be over the past five years, where should you look going forward? Valuations in emerging markets are compelling if you are investing for the long term, but we could well see further volatility in markets and currencies alike and I remain cautious in the shorter term, for the reasons outlined above. Bonds are still a concern to me – we have already seen some pain in the bond market, but I think we may well see some more, as the world adjusts to the potential for higher interest rates, albeit not for some time. This leaves income investors in an unenviable position. One option is to look at property, which we have done on page 30. So, for the time being, my money is largely on actively-managed developed market funds, with some absolute return funds thrown in, to guard against all those unforeseen eventualities. ■

*Year to 02/09/2013

**Total returns from 15/09/2008 to 6/09/2013

THE **CHELSEA**
Junior EasyISA

The Junior ISA is a version of the long-standing and popular ISA but aimed at parents, guardians and grandparents who wish to save for a child's future. There are subtle differences, one being the annual contribution limit, which is £3,720 for the 2013/14 tax year. However, the ISA advantages of no capital gains tax and no further liability to income tax are the same.

WHY SHOULD YOU USE THE JUNIOR ISA ALLOWANCE?

Act now to protect your child's future. The Junior ISA could be used for university costs, house deposits, a wedding or possibly a car. Alternatively, at the age of 18, the Junior ISA will be automatically rolled into an 'adult' ISA and remain invested.

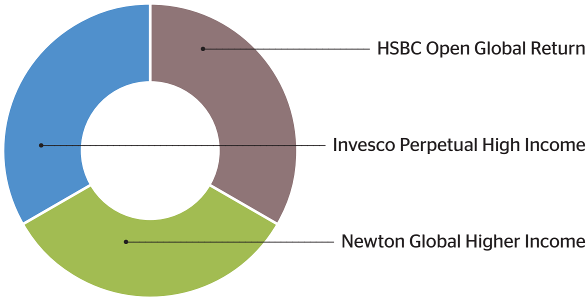
UNSURE WHERE TO INVEST?

To make it as easy as possible to invest in a Junior ISA, our research team has produced three Junior EasyISA portfolios to help you maximise returns over the long term. These are simply suggested portfolios, which are split equally between three funds. As the Junior EasyISA is aimed at children and, consequently, the investment term is generally longer, they offer a broad equity spread and therefore it should be noted that they may be subject to greater volatility than the term Cautious or Balanced may suggest.

Cautious Equity Portfolio

AVERAGE CHELSEA RISK RATING	4.67
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%

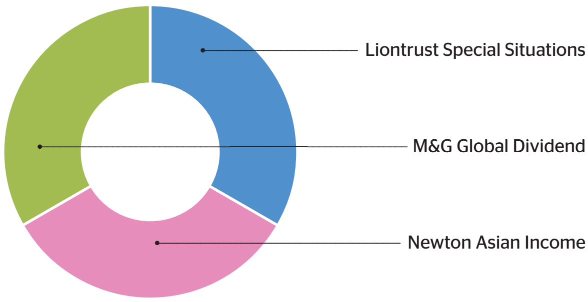
The cautious portfolio is designed to provide capital growth through well-diversified investment in a broad range of asset classes and a variety of regions. As a result, the portfolio aims to reduce volatility over the longer term but still holds over 80% in equities.



Balanced Equity Portfolio

AVERAGE CHELSEA RISK RATING	6.5
AVERAGE ANNUAL MANAGEMENT CHARGE	1.58%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%

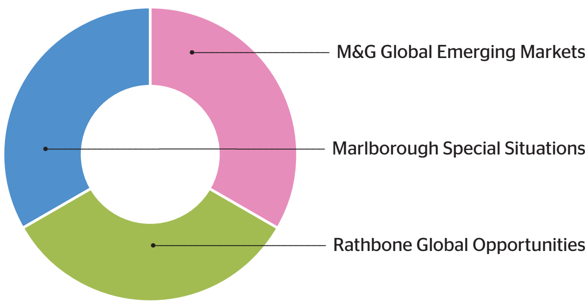
Those investors prepared to take a balanced level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US, Europe and some emerging market countries.



Aggressive Equity Portfolio

AVERAGE CHELSEA RISK RATING	8
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.83%~~ 0%

The portfolio aims to maximise capital growth by investing in a mix of UK, emerging market and global equities. Consequently, investors should be willing to accept a higher degree of risk and volatility due to the nature of the underlying investments in these regions, particularly in emerging markets.



HOW DO I INVEST?

An application form can be found on page 49. Please take a look at the Key Investor Information Documents (KIID) online before you invest (see covering letter for details or visit our website at chelseafs.co.uk/literature). You will also find further information on our website at chelseafs.co.uk/JuniorISA.

Junior ISA guide: We have written a new guide which explains how the Junior ISA works, who can invest in it and what the benefits are. It is available on our website at the address above.

Please note that children with Child Trust Funds (CTF) cannot currently have a Junior ISA. However, the government is consulting on this issue and we hope for a favourable outcome before the end of this tax year.

All funds are chosen from the Chelsea Selection *...see page 20.*

INVESTING MADE EASY, WITH 0% INITIAL CHARGE:

the Chelsea **EasyISA**

When it comes to considering funds for your ISA, the range is vast and the task of choosing just a few for your portfolio can be daunting.

That's why we've selected funds for the Chelsea EasyISA and put them together within five different portfolios. These funds are chosen from the Chelsea Selection by our research team (for more information on our research process see page 11). All you have to do is choose one of the five options, based upon your own requirements and attitude to risk.

Your ISA investment will then be spread equally across the corresponding six funds, within the Chelsea FundStore (for more details see page 39). And remember, the EasyISA is also available for ISA transfers.

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, please view the appropriate Key Investor Information Documents, or KIIDs, (see covering letter for details or visit our website at chelseafs.co.uk/literature) and then simply fill in the EasyISA application form on pages 45 & 46, ticking one box only to select either Cautious, Balanced, Aggressive, Income or Global Income. Then send the application back to us in the pre-paid envelope enclosed.

Please note that the minimum investment is £500 lump sum or £50 per month into any EasyISA.

HOW MUCH YOU CAN INVEST

The ISA allowance is £11,520 for the 2013/14 tax year.

It's not called EasyISA for nothing:

1. Select the EasyISA which best suits you (and read the KIID* for each relevant fund)

(*see covering letter for details, or visit our website at chelseafs.co.uk/literature.)

2. Tick the relevant box on the EasyISA application form (page 45-46) and decide how much you want to invest

3. Complete the form and return with payment to us. Easy!

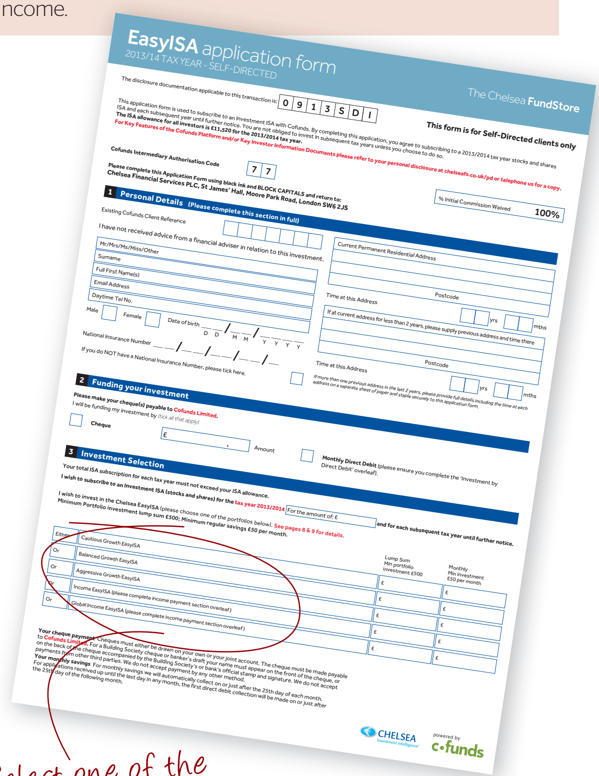
“For more information on the Chelsea Risk Rating, see page 9.”

JULIET SCHOOLING LATTER
Research Director, Chelsea

PORTFOLIO CHANGES

Income EasyISA: Henderson UK Property replaces Kames Investment Grade Bond. Legal & General Dynamic Bond replaces M&G Optimal Income.

Global Income EasyISA: Artemis Global Income replaces Schroder Asian Income.



EasyISA application form
2013/14 TAX YEAR - SELF-DIRECTED
The Chelsea FundStore
This form is for Self-Directed clients only
1 Personal Details
2 Funding your investment
3 Investment Selection
Cautious Growth EasyISA
Balanced Growth EasyISA
Aggressive Growth EasyISA
Income EasyISA
Global Income EasyISA
CHELSEA
c•funds

Select one of the EasyISA options here.

Three easy ways to buy your ISA:

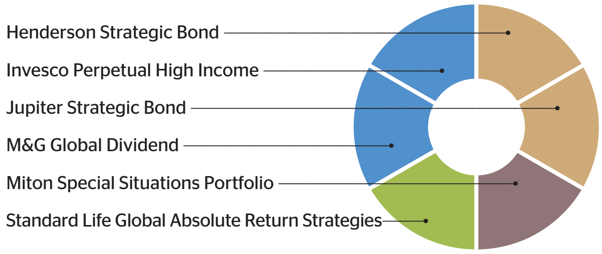
Call us on
020 7384 7300

Visit our website
chelseafs.co.uk
...and click on 'Invest Online'

Send us a **form**
EasyISA – go to page 45
DIY ISA – go to page 47
Junior ISA – go to page 49

Cautious Growth EasyISA

Cautious Growth is for the more risk-averse investor who is looking for growth with lower volatility. The portfolio has approximately one third invested in predominantly large-cap, dividend-producing equities, which tend to be less volatile. Approximately one third will be invested in fixed interest, which tends to be less volatile than equities. The final third of the portfolio will be invested in multi-asset and absolute return funds that invest in a wide range of assets and aim to produce uncorrelated returns. N.B. this portfolio contains up to 50% equity exposure, so may be subject to greater volatility than the term Cautious may suggest.



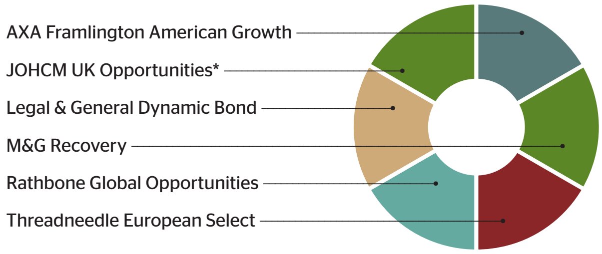
AVERAGE CHELSEA RISK RATING	4.16
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
BENCHMARK:	1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	10.42%	7.29%
PERFORMANCE OVER 3 YEARS	25.00%	18.03%
PERFORMANCE OVER 5 YEARS	31.16%	28.01%

Source: FE Analytics data as of 02/09/2013, compiled by Chelsea.

Balanced Growth EasyISA

Balanced Growth offers a medium level of risk and is for investors looking to benefit from global equity markets, with some defensiveness offered through one sixth of the portfolio being invested in fixed interest. The portfolio has the majority of its assets invested in equities based in developed markets, with a mixture of defensive companies and more dynamic mid and small-cap companies. The fixed interest portion is invested in a strategic bond fund which has the ability to invest across the credit quality spectrum.



AVERAGE CHELSEA RISK RATING	5.66
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.79%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%*
BENCHMARK:	1/3 UK ALL COMPANIES (SECTOR AVERAGE) 1/3 GLOBAL (SECTOR AVERAGE) 1/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	14.71%	17.35%
PERFORMANCE OVER 3 YEARS	34.60%	33.93%
PERFORMANCE OVER 5 YEARS	33.66%	35.01%

Source: FE Analytics data as of 02/09/2013, compiled by Chelsea.
*A performance fee may be applied, see page 12 for details.

Aggressive Growth EasyISA

Aggressive Growth is for the investor looking for pure capital growth, who is comfortable with a higher degree of risk and willing to invest a portion in Asian and emerging market equities. The portfolio is an unconstrained global equity portfolio, with exposure to large, mid and small-cap companies. It has the potential to produce greater returns through investing in faster-growing regions and more dynamic companies, but with a greater degree of risk and volatility.

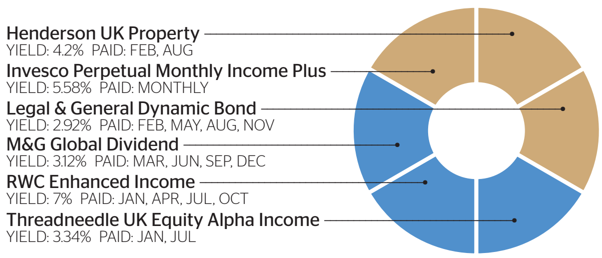
AVERAGE CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.75%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.50%
BENCHMARK:	MSCI WORLD INDEX

	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	17.12%	20.78%
PERFORMANCE OVER 3 YEARS	37.92%	44.63%
PERFORMANCE OVER 5 YEARS	44.82%	44.29%

Source: FE Analytics data as of 02/09/2013, compiled by Chelsea.

Income EasyISA

Income is for investors looking to generate income, with some prospect for capital growth. The portfolio is invested in fixed interest, across the credit quality spectrum, and defensive, dividend-paying companies, based largely in developed markets. The combination of equities and fixed interest aims to maintain, and even potentially grow, capital over the long term, whilst paying dividends throughout the year.



AVERAGE CHELSEA RISK RATING	4.25
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.17%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
BENCHMARK:	1/2 STRATEGIC BOND (SECTOR AVERAGE) 1/2 UK EQUITY INCOME (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	13.86%	14.27%
PERFORMANCE OVER 3 YEARS	32.12%	32.21%
PERFORMANCE OVER 5 YEARS	54.01%	41.95%
AVERAGE YIELD FOR THE PORTFOLIO	4.36%	-

Source: FE Analytics data as of 02/09/2013, compiled by Chelsea.

Global Income EasyISA

Global Income offers investors a medium to high level of risk within a globally-diversified portfolio and these equity income funds are selected for their potential to grow their yields over time. Over 50% of the portfolio is invested in US and European equities, with approximately 15% in UK equities. The remainder is invested across other regions, such as Asia, emerging markets and Japan.

AVERAGE CHELSEA RISK RATING	6.67
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.17%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%

Artemis Global Income
YIELD 4.30% PAID: OCT, APR

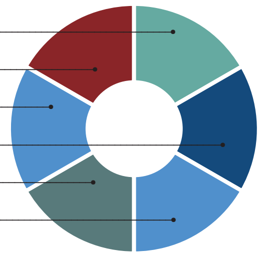
BlackRock Continental European Income
YIELD 3.75% PAID: SEP, DEC, MAR, JUN

Fidelity Enhanced Income
YIELD 5.95% PAID: NOV, FEB, MAY, AUG

JPM Emerging Markets Income
YIELD 3.76% PAID: FEB, JUL

Legg Mason US Equity Income
YIELD 2% PAID: NOV, FEB, MAY, AUG

Newton Global Higher Income
YIELD 4.2% PAID: NOV, FEB, MAY, AUG



	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	16.48%	18.57%
PERFORMANCE OVER 3 YEARS	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A
AVERAGE YIELD FOR THE PORTFOLIO	3.99%	-

Source: FE Analytics data as of 02/09/2013, compiled by Chelsea.

Please select one EasyISA – whichever best suits your risk profile and requirements

Your EasyISA application form is on page 45

The **Chelsea Risk Rating**

Here is a guide to where various sectors sit on the Chelsea Risk Rating scale. It depicts the relative risk of those sectors. Please note that even those sectors at the lower end of the scale are subject to volatility.

The Chelsea Risk Rating is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues. We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

You may notice that the Chelsea Risk Rating on some of your funds has changed. The Chelsea Research team have reviewed the risk ratings and, as a result, they have undergone a minor recalibration. Please see the Chelsea Selection on pages 20 and 21 for fund specific risk ratings.

NB Risk profiling is also subject to your own circumstances and, if you need advice, please speak to a financial adviser.

RISK RATING	SECTOR
9-10	EMERGING MARKETS
9-10	JAPAN
8-10	TECHNOLOGY
7.5-10	ASIA PACIFIC EX JAPAN
7.5-8.5	UK SMALLER COMPANIES
7-10	COMMODITIES
6.5-8	NORTH AMERICA
6-8	PROPERTY EQUITIES
6-8	GLOBAL EQUITIES
6-8	EUROPE
5-8	UK ALL COMPANIES
5-7	UK EQUITY INCOME
5	MIXED INVESTMENT 40-85%
3-5	UK EQUITY & BOND INCOME
3-4	MIXED INVESTMENT 20-60%
3-3.5	PROPERTY
3	HIGH YIELD BONDS
2-7	ABSOLUTE RETURN
2-4	STRATEGIC BONDS
1-3	GLOBAL BONDS
1-2	CORPORATE BONDS
1	GILTS

WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the **DIYportfolio**

If you have a larger sum to invest or the EasyISA doesn't meet your requirements, why not do it yourself? Here's a guide to how a self-selected portfolio might look. Please refer to the previous page for guidance on our recalibrated Chelsea Risk Ratings.

PEOPLE OFTEN ASK US, "HOW SHOULD MY PORTFOLIO LOOK?"

The truth is that it's really quite subjective – everyone has a different attitude to risk and preferences for one sector/region or another. But for those of you who would like a rough guide to a sensible split, we have provided the portfolios below.

The idea is that you determine your own attitude to risk. If you are comfortable with short-term losses and happy to invest for a long period of time, then you might think of yourself as 'Aggressive'. However, if swings in valuation worry you and perhaps you are closer to retirement, you might prefer to take a 'Cautious' stance.

Portfolios can sometimes simply be the result of random purchases made over many years. However, there is a huge benefit to taking some time to analyse your portfolio to prevent sector and country biases creeping in. We suggest that you may wish to look at your portfolio on an annual basis and rebalance it where it has moved out of line with your goals.

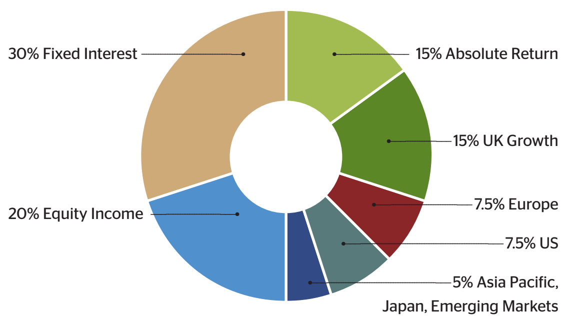
Here we provide some model portfolios as a guide. Obviously they can be altered to reflect your own preferences. It is important to have diversification to reduce risk, but spreading your assets across too many funds means that those which perform strongly will have little impact on overall performance. The number of funds held within these portfolios will vary depending upon the amount invested. As a rough guide, we would expect to have approximately 10 funds in a portfolio of over £30,000 and 15-20 in one of over £100,000.

So, see how your portfolio stacks up. Remember, you can switch funds for free via the Chelsea FundStore.

Cautious Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: 5-6

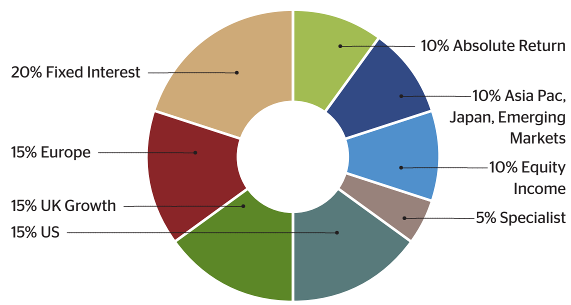
Designed for those who have a lower tolerance to risk, perhaps an investor closer to retirement. With a higher proportion in bonds it should be less volatile. Those close to retirement should have an even higher allocation to fixed interest. It should be noted that even the 'Cautious Growth' portfolio has a substantial weighting in equities and is therefore subject to volatility.



Balanced Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: 6-7

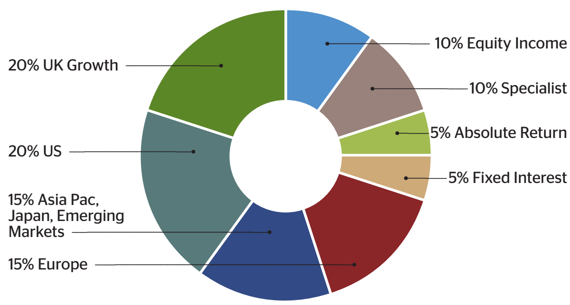
With a medium level of risk, this portfolio aims to achieve growth, but will have greater volatility. Investment is predominantly in equities.



Aggressive Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: 7-8

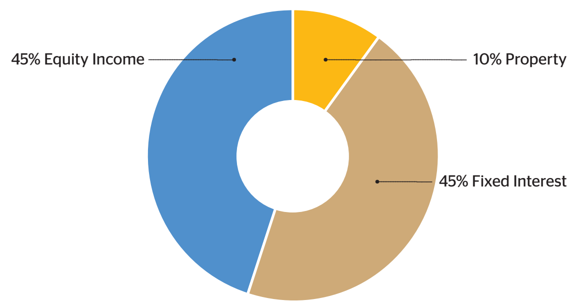
An aggressive portfolio is for investors who are comfortable with a higher degree of risk and may have a longer time horizon, so that any volatility in markets can be mitigated over time.



Income DIYportfolio

AVERAGE CHELSEA RISK RATING: 4-5

This is for those who wish to obtain a growing income. Yields for these funds can be found on the Chelsea Selection (pages 20-21). The equity income portion should be a combination of UK and overseas.



AN INTRODUCTION TO

Chelsea **research tables**

There are approximately 3,000 funds in the entire UK market – with more than 1,700 available via the Chelsea FundStore. We shortlist those we think are worth considering as part of a diversified portfolio.

We've organised our research into four simple tables:

Chelsea **Core Selection**©

Offers a more concise version of the Selection table for those investors seeking core holdings for their portfolios – individually researched and analysed by our dedicated research team.

You can use these funds to build your **DIYportfolio** (see opposite page)

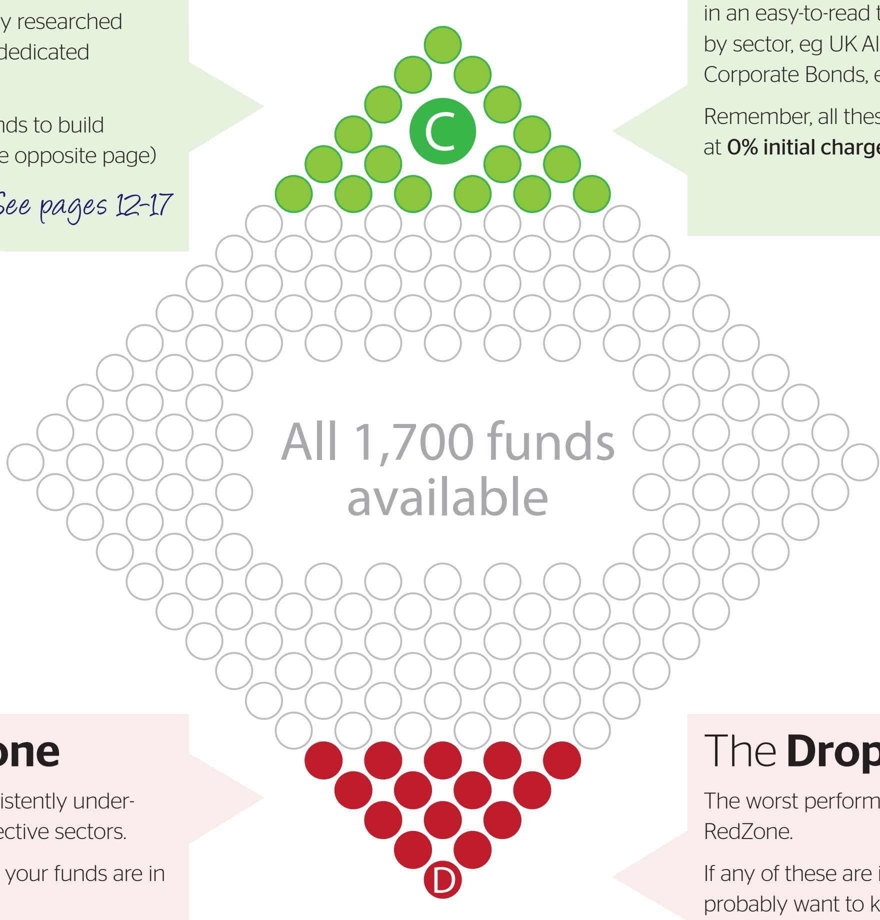
See pages 12-17

Chelsea **Selection**Ⓢ

Around 100 of our top-rated funds in an easy-to-read table, organised by sector, eg UK All Companies, Corporate Bonds, etc.

Remember, all these funds are available at **0% initial charge**.

See pages 20-21



The **RedZone**

Funds that have consistently under-performed their respective sectors.

Check to see if any of your funds are in our RedZone...

See page 22

The **DropZone**

The worst performers from the RedZone.

If any of these are in your portfolio, you probably want to know about it!

See page 23

Chelsea's research process

You can look at the funds within our Selection tables with the knowledge that we have met and interviewed every fund manager. We conduct regular analysis of fund performance in every sector, which flags the funds we wish to investigate further. We then interview managers, grilling them on their investment process.

Once a manager achieves a place within the Chelsea Selection we obtain regular updates. We understand that managers may have periods of underperformance but, as long as we are confident that they can get their fund back on track, it remains on our tables.

the Chelsea **Core Selection©**

36 Core funds from the Chelsea Selection – individually researched and analysed.

UK GROWTH

ARTEMIS UK SPECIAL SITUATIONS

Derek Stuart and Ruth Keattch define special situations as including companies in transition, in recovery, requiring re-financing or simply suffering from investor disinterest. However, they have a preference for companies that can "self-help" by cutting costs or replacing management. They employ a bottom-up approach and stock selection criteria favour growth characteristics, although not at the expense of traditional value-based disciplines. The fund has an unconstrained multi-cap mandate, but in general there will be about 40% large-cap and the remainder in small and mid-caps. The fund usually has around 60-90 holdings. The managers have recently increased their exposure to financials, which has seen them turn in top quartile performance over the last six months.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	1.20%
UNIT TYPE	ACC

AXA FRAMLINGTON UK SELECT OPPORTUNITIES SPOTLIGHT

Nigel Thomas is a pragmatic stock-picker who looks for both growth and value opportunities across the market-cap spectrum, although typically his fund will have around 50-60% in large-cap stocks. Stock selection is driven by bottom-up fundamental analysis, but the introduction of new products or a change in management are also deemed important factors. Nigel places considerable emphasis on meeting companies and their management, to assess the feasibility of their business plans and their ability to implement them. Strength of management is the most important attribute he considers when making investment decisions. The portfolio typically holds around 80 stocks. Recently he has tilted the portfolio to take advantage of the housing recovery in the US, which has seen the fund outperform strongly in recent months.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	0.96%
UNIT TYPE	ACC or INC

JOHCM UK OPPORTUNITIES

This fund is managed with conviction and aims to generate positive absolute returns over the long term by using a combination of top-down analysis and bottom-up stock selection. The managers, John Wood and Ben Leyland, look to find quality stocks at attractive valuations, to build a portfolio of 30-40 stocks, with no regard for the benchmark. John and Ben have a strict sell discipline and look to top-slice when holdings reach 5% of the portfolio. There is a 15% performance fee on out-performance of the FTSE All-Share Total Return Index, but the AMC is lower than most at 1.25%. John remains cautious due to corporate earnings not keeping pace with stock prices and at the time of writing 18% of the fund was in cash.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%*
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	3.04%
UNIT TYPE	ACC or INC

LIONTRUST SPECIAL SITUATIONS

This UK multi-cap fund is a 'best ideas' portfolio, which encompasses any stock regardless of size or sector. However, there will usually be around 60% in small and mid-cap stocks. The managers look for firms with "intellectual capital" or strong distribution networks, recurring revenue streams and products with no obvious substitutes. The fund is concentrated with 40-50 stocks and, due to the nature of the portfolio companies, will perform well in flat or falling markets. Another important factor is how key employees are motivated, with the preference being through direct ownership of the company's equity. The recent preference for companies that can grow their earnings despite the low growth environment has seen this fund rise up the league tables.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.69%
UNIT TYPE	INC

M&G RECOVERY

Tom Dobell invests in companies that are out of favour or experiencing difficulty. Company meetings are vital, and Tom takes a long-term view to holding these stocks, building a constructive relationship with company management making concerted efforts to turn the business around. By supporting these turnaround situations, Tom aims to profit from these stocks when the recovery process is complete and reflected in the stock price. The fund invests across the full market spectrum and typically holds around 100 stocks, each held on average for three to five years. In the current low growth environment, with little capex or M&A activity, companies are struggling to recover and this has harmed performance. However, with the economy showing signs of increased activity we feel the fund should be well placed if the macroeconomic data continues to improve.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	0.84%
UNIT TYPE	ACC or INC

MARLBOROUGH SPECIAL SITUATIONS

Since 1998 the manager, Giles Hargreave, has built up a reputation as an astute and pragmatic stock-picker, who is supported by one of the best small-cap teams in the country. The fund is currently well diversified with around 200 holdings, split between 80% small-cap and 20% mid-cap. Giles' investment style is very research driven and consequently he meets a huge number of company management teams. He focuses on company fundamentals to identify both growth and value stocks.

CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.65%
UNIT TYPE	ACC

THE CHELSEA RISK RATING

Least risky 1 — Most risky 10

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.
We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 9 for further details

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.
For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 02/09/2013

the Chelsea **Core Selection©** CONTINUED

EQUITY INCOME

ARTEMIS INCOME

Adrian Frost and Adrian Gosden manage a flexible, high-conviction portfolio of around 60–90 UK stocks, with the aim of generating rising income coupled with capital upside. The fund is mainly invested in equities listed on the FTSE 350 and is mostly in large caps, although the portfolio may contain a mix of market caps and sectors, depending on the managers' convictions. They place emphasis on finding businesses with strong and sustainable free cashflows. The managers will invest overseas or in bonds to maintain yield. They have indicated that some earnings growth will be important if the UK market is to make further progress. Income is paid in July and January.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	3.90%
UNIT TYPE	ACC or INC

INVESCO PERPETUAL HIGH INCOME

The highly experienced Neil Woodford has been managing this flagship Invesco Perpetual High Income fund for over 20 years. His team pair a global macroeconomic view with in-depth research of sectors and stocks. However, the fund places a greater emphasis on total return than pure income. Neil has the ability to invest overseas if he identifies suitable opportunities and often invests in the US. A top-down investment approach is used, which can lead to large sector weightings. For example, Neil maintains a large position in pharmaceuticals, around 30% of the fund. Dividends are paid in March and September.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	3.34%
UNIT TYPE	ACC or INC

M&G GLOBAL DIVIDEND

The notion that the discipline of paying dividends leads to greater corporate responsibility, which in turn leads to share price outperformance, is the investment philosophy behind this fund. Manager Stuart Rhodes' main aim is to grow distributions over the long term, whilst maximising total return by investing across a wide range of geographies, sectors and market capitalisations. The process is bottom-up and value driven. The fund has around 50 stocks, typically held for three years. Stuart predominantly invests in developed markets, however he is beginning to look toward emerging market stocks as some are becoming increasingly undervalued. Income is paid in March, June, September and December.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	SILVER
MSTAR OBSR FUND RATING	SILVER
YIELD	3.12%
UNIT TYPE	ACC or INC

NEWTON ASIAN INCOME

Jason Pidcock, supported by a strong team of global sector analysts, identifies global investment themes and translates these into sector and stock selection using a bottom-up process, focusing on companies from across the market-cap range with strong, sustainable fundamentals and with an above-market yield at purchase. The portfolio has a low turnover and will typically comprise 40-55 stocks, which may be listed in London or the US, as long as they generate significant revenues in the Asian region. Jason is concerned about the economic situation in China and has recently adjusted his portfolio accordingly. Income, is paid in March, June, September and December.

CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	4.98%
UNIT TYPE	INC

RATHBONE INCOME

Through investing in UK companies with above average yields, Carl Stick aims to deliver rising income, with capital upside over time. Carl's investment process combines top-down macroeconomic considerations with bottom-up stock-picking to build a portfolio of 40-50 stocks. Seeking companies with quality earnings at the right price is the core emphasis of Carl's fund. The majority of holdings are spread across all UK company market-caps, although Carl will hold overseas equities where greater opportunities exist. More recently, Carl has initiated new positions, such as Rio Tinto, having sold some holdings he regarded at full value. Income is paid in January and July.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.50%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.57%
UNIT TYPE	ACC or INC

RWC ENHANCED INCOME SPOTLIGHT

Managers Nick Purves, Ian Lance and John Teahan deploy a flexible value-driven style, carefully selecting a concentrated portfolio of around 30 stocks, with low turnover. Their stock selection process encompasses three key criteria: low starting valuation, strong cash generation and how management uses that cash. Typically, the fund will be managed to achieve a targeted yield of 7%, this does mean it will lag during strong market rises, such as in the first half of 2013. The strategy uses call options to enhance income and boost yield, the purpose of which is to deliver total returns over the long term. Income is paid in February, May, August and November.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	NEUTRAL
YIELD	7.00%
UNIT TYPE	ACC or INC

THREADNEEDLE UK EQUITY ALPHA INCOME

Leigh Harrison and Richard Colwell manage the fund with emphasis placed on generating a total return from a concentrated portfolio of UK equities. The portfolio is constructed from the managers' best ideas, consisting of 25–30 UK stocks. The team identify economic investment themes and position the portfolio accordingly. This may lead to a greater focus on certain sectors. This unconstrained approach provides the flexibility that allows Leigh and Richard to take active positions in their best ideas. Recently, the managers have been adding to stocks which generate their earnings from across Europe, hoping to capitalise on improving conditions for some companies in the region. Income is paid in January and July.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.75%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.34%
UNIT TYPE	ACC or INC

S&P and MSTAR OBSR have changed their ratings gradings. S&P Capital IQ now rate funds either Platinum, Gold, Silver or Bronze, and MSTAR OBSR rate funds either Gold, Silver or Bronze.

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.

For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 02/09/2013

the Chelsea **Core Selection**© CONTINUED

EUROPE

BLACKROCK CONTINENTAL EUROPEAN

Vincent Devlin has run this fund since 2008, supported by the European equity team who provide research and analysis across all European markets. The fund has a flexible style and is therefore able to adapt to different types of market, for example moving into value mid-cap stocks when the market dips. The focus is on bottom-up stock analysis, including company meetings, combined with macroeconomic awareness. The portfolio will typically hold 35-65 stocks and the manager currently favours consumer staples, like Nestle, and healthcare stocks.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	0.45%
UNIT TYPE	ACC or INC

JUPITER EUROPEAN

The fund manager, Alexander Darwall, runs a concentrated, conviction portfolio of 30-40 stocks, with a focus on mid-cap companies. Alexander takes a long-term view, focusing predominantly on bottom-up stock analysis and places a high degree of emphasis on management meetings and having an in-depth understanding of the companies in which he invests. Turnover is thus very low. Alexander will only consider stocks with sound business characteristics and favours those which he believes will emerge stronger from a recession. His preferred sectors are currently Industrials and Healthcare (though not pharmaceuticals).

CHELSEA RISK RATING	6.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	0.90%
UNIT TYPE	INC

SCHRODER EUROPEAN ALPHA PLUS

The fund is managed by Leon Howard-Spink who invests in European equities across the market-cap range, but with a focus on mid caps. He generates many of his own ideas but is able to cross-reference them with the group's 18 European analysts. Leon looks for market-leading companies and his bias is towards higher quality, structural growth companies with low cyclicality. As the bottom-up investment process is not benchmark driven, the portfolio will often differ from the index at both sector and country level. The portfolio currently comprises 38 stocks and is underweight the Oil & Gas sector and southern Europe.

CHELSEA RISK RATING	6.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	0.29%
UNIT TYPE	ACC or INC

THREADNEEDLE EUROPEAN SELECT

Manager David Dudding focuses on buying companies with a competitive advantage, high quality defensible earnings and consistent growth rates. His approach is growth orientated, but other factors, such as brand loyalty or pricing power, are also key. Consequently, he favours certain sectors and may choose not to invest in some sectors altogether. David likes companies with strong market share in emerging markets and is currently underweight France and Spain. The fund is fairly concentrated and currently has 46 holdings, of which around 80% are in large-caps.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.75%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.40%
UNIT TYPE	ACC

US

AXA FRAMLINGTON AMERICAN GROWTH

Managers Steve Kelly and Dan Harlow run this fund within a stock-picking framework. They have a strong growth bias, focusing on companies that are able to exhibit genuine, organic growth through the strength of their brand. They also prioritise good management in their investment decisions, as they look for companies whose management delivers their stated goals. The fund has a mid-cap bias and typically holds 65-75 stocks. The managers believe future QE tapering could be the catalyst for cyclical stocks to do better as growth picks up and markets normalise.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

F&C US SMALLER COMPANIES NEW TO CORE

Robert Siddles has evolved his investment strategy over many years and through several business cycles, and has a low-risk approach which outperforms in the long term. Consequently, he is very value aware and will avoid fashionable sectors or those where he deems there is overcapacity. Insider ownership is also key, as the owners are less likely to use the company cash irresponsibly. Strict portfolio management ensures the portfolio remains diversified and no individual holding becomes too large. Robert's low-risk and value-driven approach has seen him avoid the worst of the tech, financial and housing bubbles of the last 15 years. He currently favours US manufacturing stocks but is avoiding commodities as he believes there is oversupply.

CHELSEA RISK RATING	8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

THE CHELSEA RISK RATING

Least risky 1

Most risky 10

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.
We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 9 for further details

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.
For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 02/09/2013

the Chelsea **Core Selection©** CONTINUED

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

FIRST STATE ASIA PACIFIC LEADERS

Experienced managers Angus Tulloch (based in Edinburgh) and Alistair Thompson (based in Singapore) run this stock-driven fund, within a broad macroeconomic context, with support from their extensive Asia Pacific team. Company meetings play an essential role in stock selection and regional analysts generate ideas that lead to a portfolio of 50-120 large/mid-cap undervalued stocks, with above-average growth and a mid to long-term investment horizon. Exposure to companies with a market cap of less than $US500m must be less than 10%. The portfolio is currently overweight Hong Kong, India and Singapore.

CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	0.31%
UNIT TYPE	ACC

JUPITER JAPAN INCOME

This fund looks to exploit the increasing trend for Japanese firms to pay dividends. The managers look for companies with superior growth prospects, but trading at a reasonable valuation. The managers frequently travel to Japan and place emphasis on extensive company/management meetings. Strong cashflows are preferable, as are management teams who are willing to pay above average dividends. The resultant portfolio comprises 40-50 holdings, with a large-cap focus. They are positioning the fund to take advantage of the structural reforms being pushed by government, referred to as Abenomics. As a result they have invested in selected financials and consumer-related stocks.

CHELSEA RISK RATING	9.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	2.20%
UNIT TYPE	ACC or INC

M&G GLOBAL EMERGING MARKETS

Matthew Vaight seeks to deliver capital growth by identifying quality stocks he deems undervalued. He invests in any emerging market region or in companies whose business is conducted primarily in these regions and avoids stocks affected by political risk. As a result, the fund tends to be more defensive. Between 50 and 70 stocks are selected through strict bottom-up analysis, reflecting the manager's core beliefs that value creation, and not economic growth, will deliver returns over the long term. Recently, stock selection in financials has dragged on fund performance. The negative impact was partially offset by value added through stock-picking in the telecoms sector.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.55%
UNIT TYPE	ACC or INC

SCHRODER ASIAN ALPHA PLUS

This Asian fund is actively managed from the bottom up, with manager Matthew Dobbs often looking for catalysts in order to provide upside in the stocks he owns. Matthew is focused on valuations but also looks for companies that can exhibit organic growth. This concentrated portfolio will typically consist of 60-80 of the best ideas in the region and a "one in one out" policy is followed. The fund is relatively unconstrained, but risk-aware, and can invest across the market-cap spectrum. His largest overweights are currently in Hong Kong and China.

CHELSEA RISK RATING	8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	0.15%
UNIT TYPE	ACC

MISCELLANEOUS

ARTEMIS STRATEGIC ASSETS

Managers William Littlewood and Giles Parkinson assess the macroeconomic environment to help make their investment decisions. They aim to achieve long-term growth by investing in a range of assets, including UK equity, international equity, fixed interest, currency, commodities and cash. The fund aims to outperform equities when markets are favourable, and preserve capital when markets are poor. They invest predominantly in equities, but also use derivatives in order to exploit both rising and falling markets. They often take advantage of shorting individual securities or currencies that they believe are overpriced. The managers are currently shorting European and Japanese government bonds and retain a cautious stance from a macroeconomic viewpoint.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.50%
UNIT TYPE	ACC

HENDERSON UK PROPERTY TRUST NEW TO CORE

The managers' primary concern of maintaining an attractive yield sets this fund apart from many of its peers. To sustain the yield they focus on tenant strength and lease length. Strong tenants are those where their long-term prospects are good and are likely to be resilient during all stages of the business cycle. This has meant the fund has a south east focus and is underweight the retail sector. The average lease length is over ten years, with 25% of the leases currently RPI linked. Put into practice this strategy has seen the fund have the highest occupancy rate in the sector at 98.8%, as well as the highest yield at the time of writing.

CHELSEA RISK RATING	3.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	4.2%
UNIT TYPE	ACC OR INC

MITON SPECIAL SITUATIONS PORTFOLIO

The goal of this fund is to provide investors with long-term positive returns through investment in an array of asset classes including global equities, bonds, cash and collective investment schemes. Martin Gray and James Sullivan seek to stabilise the fund by investing around 30% in defensive asset classes. The fund is managed as a cautious, well diversified portfolio and there are no formal sector or stock constraints placed upon the managers. This fund tends to underperform strongly rising markets but does well in tougher markets. The managers still have a bearish outlook on markets, and as such have maintained the fund's defensive style. However, this view has seen them significantly underperform the market rises in 2013.

CHELSEA RISK RATING	4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

NOTES We always strive to reduce your costs to a minimum. Units bought with no initial charge are described as being bought at creation/NAV.

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.

For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 02/09/2013

the Chelsea **Core Selection©** CONTINUED

GLOBAL

RATHBONE GLOBAL OPPORTUNITIES

James Thomson is able to invest anywhere globally. Typically, however, the portfolio will consist of 50-60 stocks from developed world markets. James looks for pure-play growth stocks. Ideally portfolio companies will be easy to understand, have entrepreneurial management, strong demand for their product and be resilient to changes in the business cycle. Lastly they look for a catalyst for the share price to push forward. This approach can lead to periods of volatility in unsettled markets. The fund does not invest directly into emerging markets stocks and its largest regional weighting is currently in North America, with over 55% invested in the region.

CHELSEA RISK RATING	6.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~2.5%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	-
UNIT TYPE	ACC

FIXED INTEREST

HENDERSON STRATEGIC BOND

With up to 70% of the fund in high yield bonds, this is one of the more aggressively managed strategic bond funds. The managers can invest across the fixed income spectrum, but can also invest in synthetic fixed income securities (i.e. preference shares) and equities. In addition, the managers have the freedom to vary the source of their returns between income or capital growth. This means the fund can take short positions, to enhance returns or protect capital. They are encouraged by the recent progress the American and European economies have made, but remain cautious regarding sovereign bonds. Income is paid in March, June, September and December.

CHELSEA RISK RATING	3
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	5.70%
UNIT TYPE	INC

INVESCO PERPETUAL MONTHLY INCOME PLUS

This fund aims to achieve a high level of income through investing in high yielding corporate and government bonds and high yielding UK equities. The team invests throughout global bond markets, using a bottom-up approach, but with no formal rules as to specific sectors, regions or type of fixed interest security. Investments are normally focused on high yield bonds, but there is flexibility to move up the credit scale. The equity portion, limited to 20%, is managed by Neil Woodford, who manages Invesco Perpetual High Income. The equities in the portfolio tend to be defensive, whilst the fixed interest assets tend to have a bias towards higher-yielding corporate bonds.

CHELSEA RISK RATING	3.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	GOLD
YIELD	5.58%
UNIT TYPE	ACC or INC

JUPITER STRATEGIC BOND

The manager, Ariel Bazelel, seeks out the best opportunities within the fixed interest universe globally. He identifies debt issues he feels are mispriced using bottom-up fundamental analysis. Companies with robust business models and recurring revenue streams are preferred. Derivatives can be used to manage risk, but not for investment purposes. Around 50% of the portfolio is invested in high yield bonds. He currently holds a position in Australian government bonds, although the currency is hedged out. Income is paid in April, July, October and January.

CHELSEA RISK RATING	2
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	-
YIELD	5.20%
UNIT TYPE	ACC or INC

KAMES INVESTMENT GRADE BOND

Co-managers Stephen Snowden and Euan McNeil target total return by investing mainly in global investment grade corporate bonds (at least 80%), however gilts, high yield bonds and cash are also held. A strong team ethic, together with their significant fixed income resource, influences both top-down strategy and bottom-up stock-picking and the resulting portfolio typically has around 140 stocks. With interest rates expected to remain at record lows the managers expect the bond market to hold up well in 2013 and will look to buy tactically on market weakness. The fund pays out in April, July, October and January.

CHELSEA RISK RATING	1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.50%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	3.41%
UNIT TYPE	ACC or INC

LEGAL & GENERAL DYNAMIC BOND

A real return from either capital growth or income are the priority for the manager, Richard Hodges. Consequently the yield may vary if he identifies low yielding but underpriced fixed income assets. He also has the freedom to take short positions using derivatives, to benefit from falling prices. As with other strategic bond funds the manager has the ability to invest across the credit scale, but is limited to 10% non-sterling assets, to reduce currency risk. Income is paid in March, June, September and December. Recently Richard has been using the funds shorting capabilities to take advantage of the recent volatility in bond markets.

CHELSEA RISK RATING	2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	4.90%
UNIT TYPE	ACC or INC

M&G OPTIMAL INCOME

Richard Woolnough identifies macroeconomic themes in order to determine the amount of credit and interest rate risk he is prepared to take. Consequently, a shift in economic sentiment can see the balance between sovereign, investment grade and high-yield bonds shift dramatically. He may also hold some equities and has recently increased his equity weighting to 11.5%. Fundamental analysis is used to identify specific issues, with cashflow, ability to service debt and susceptibility to event risk deemed to be key factors. Income is paid in June and December. As a house M&G have been overweight short maturity bonds which has led to their fixed-income funds holding up well despite the recent volatility in bond markets.

CHELSEA RISK RATING	2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	2.92%
UNIT TYPE	ACC or INC

THE CHELSEA RISK RATING

Least risky 1 — Most risky 10

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.
We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 9 for further details

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.

For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 02/09/2013

the Chelsea **Core Selection**© CONTINUED

ABSOLUTE RETURN

BNY MELLON ABSOLUTE RETURN EQUITY NEW TO CORE

This fund aims to substantially outperform cash through positions in long/short UK and European equity holdings over a market cycle. A top-down macroeconomic approach is used to identify investment opportunities, combined with bottom-up analysis which focuses on cash flow return on investment. Once a stock has been picked, it is paired with one or more other positions which will hedge the broad market exposures in the long position and isolate the particular performance driver identified by the team's research. Strong emphasis is placed on portfolio risk and capital preservation, supported by disciplined stop-loss and profit-taking policies. The fund manager has broad but disciplined investment parameters and will typically hold between 50-60 positions.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

NEWTON REAL RETURN

This absolute return fund aims to provide investors with growth of 2.5% p.a. above LIBOR on a rolling 5-year basis. The starting point for the process is the views of Newton's strategy group, which attempts to identify long-term trends in the global economy. The manager uses these views in determining the fund's asset allocation – usually direct holdings of equities (predominantly large, multinational companies), bonds and cash. Other asset classes, such as gold, may also feature. Derivatives will be held for efficient portfolio management, income generation and downside protection, but there will be no leverage, no complex derivative strategies and no shorting of individual stocks.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.14%
UNIT TYPE	INC

STANDARD LIFE GLOBAL ABSOLUTE RETURN STRATEGIES

This multi-asset, multi-strategy fund invests in a wide remit of global asset classes in order to produce consistent positive returns during all market conditions. The fund targets LIBOR + 5% by investing about 70% of the fund in Standard Life equity and bond funds. The remainder is invested using "relative value strategies" in equities, fixed income securities, currencies and cash positions. Also, the fund can take market directional views and look to profit from declining asset values. The fund usually has equity exposure of no more than 40%. There is no performance fee on this fund. To help control risk at any one time the fund must employ at least three uncorrelated strategies.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	ON HOLD
MSTAR OBSR FUND RATING	UNDER REVIEW
YIELD	1.02%
UNIT TYPE	ACC

© Throughout Viewpoint, whenever we mention a fund that's in the Chelsea Core Selection, we'll mark it with this icon.

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.

For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 02/09/2013

Make sure you receive the Chelsea **email newsletter**

We send it twice a month (we know that our clients don't like to be bombarded) and here's what you can expect:

- up-to-date independent fund research
- commentary on developments in the fund management industry
- our latest macroeconomic views
- filmed interviews with fund managers
- client competitions
- special editions, for example the Budget and how it affects you

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Core Selection **Spotlight**

AN IN-DEPTH LOOK AT TWO FUNDS FROM OUR CORE SELECTION.
WE INVITE FUND MANAGERS TO TALK ABOUT THEIR PROCESS AND THEIR ASSET CLASS, GIVING YOU A MORE COMPREHENSIVE VIEW OF HOW YOUR MONEY IS MANAGED.

Spotlight on **RWC Enhanced Income**

JOHN TEAHAN
Co-manager,
RWC Enhanced Income

NICK PURVES
Co-manager,
RWC Enhanced Income

IAN LANCE
Co-manager,
RWC Enhanced Income

In September 2010 I joined the newly formed Equity Income Team at RWC. I was reunited with Nick Purves and Ian Lance, with whom I had previously worked at Schroders, managing the Schroder Income Maximiser fund. Prior to my six years with Schroders I worked with Bank of Ireland Asset Management, beginning my career on their graduate programme in Dublin and moving under that programme to their London office. Nick worked at Schroders for 16 years, having qualified as a Chartered Accountant with KPMG. Ian was previously Head of European Equities and Director of Research at Citigroup Asset Management and Head of Global Research at Gartmore.

As the team name implies, we are focused on generating an income for clients through investments in the equity market. Our investment approach is one of a focus on the fundamental characteristics of companies, with particular attention given to valuation and the generation of free cash flow to equity. However, we believe current valuation and cash flows should be assessed in tandem with earnings risk and balance sheet risk, to avoid companies that are over earning today or companies where leverage could turn from being positive for the equity holder to detrimental to the equity holder, should business conditions for the company change. In essence, we look to invest in companies that deliver a generous dividend to shareholders with potential for that dividend to grow over time.

As well as generating an income distribution to our investors from company dividends, we seek to enhance that income through the use of a covered call strategy. A covered call strategy is where you sell a call option on a stock that you own and in return you receive an income, called the option premium. The strategy increases the income generated from a portfolio of equities but also limits the potential for capital growth as any increase in the stock price, above a certain level, is paid to the purchaser of the option. What this means is selling away some of the potential growth in share prices in return for income.

The three of us sit in a small office together and this work environment allows us best to interlink the technical details of the options market with the fundamental characteristics of the stocks we own. I now have greater involvement in stock research, which puts me in a better position to successfully implement the covered call strategy and it also helps Nick and Ian to gain a greater understanding of the options market. Nowadays Nick, Ian and I have a continuous conversation about how the overlay strategy and the stock portfolio combine to meet the objective of delivering a stable income stream, and over the long term a growing income stream, to our investors.

POSITIONING

We believe that the greatest opportunities in the equity market at present include pharmaceutical companies. We have invested in six such companies: GlaxoSmithKline, AstraZeneca, Eli Lilly, Johnson & Johnson, Pfizer and Merck. These companies suffered from poor capital discipline in the past, spending huge sums of money on acquisitions and on poorly-managed R&D. The companies also faced the challenge of their major drugs going off-patent and therefore faced a big drop in revenue. The market turned very pessimistic on these companies and valuations sank. Management, however, took action to turn around performance, becoming much more disciplined with capital, selling off non-core businesses and extracting more value from matured or off-patent products.

We currently see wider stock market valuations as looking pretty full. In the UK, the FTSE All Share offers a dividend yield of around 3.5% and trades on a historic price earnings multiple of 14. Whilst this is satisfactory, especially in the context of low bond yields, one must recognise that these ratios (which are weighted averages) are being skewed by some very large and lowly-valued companies. The typical company (or median) valuation is much higher. The second challenge relates to company profits which are at very high levels (some 70% above their long run average) and coming under some pressure.

Even though the market is fairly fully valued, we believe there are pockets of value, such as pharmaceutical companies, where we can continue to invest and thus deliver attractive returns and an attractive income stream to investors.

THE CHELSEA VIEW:

“With income at the forefront of many investors' minds, we think this fund's covered call strategy, which enables it to target 7% yield, sets it apart from many of its sector peers. We also like their more cautious approach which could suit those seeking higher income. This fund's strategy means it is likely to perform well in a sideways or downwards market but underperform a strongly rising one.”

Spotlight on **AXA Framlington UK Select Opportunities**

NIGEL THOMAS
Fund manager,
AXA Framlington
UK Select Opportunities

The biggest influence on my career was my mentor John Carrington, founder of Carrington Pembroke. He instilled in me that you buy good companies and let your profits run. Cut your losses by all means but if you are buying growth and a management team for the future, stay with them and grow with them. Change will also create new opportunities – be abreast of all the factors that create change and adjust your portfolio accordingly.

I initially trained as an accountant with Robson Rhodes, leaving to join Carrington Pembroke (subsequently ABN AMRO and now Artemis Unit Trust Managers) as a Private Client Portfolio Manager. I subsequently joined Hill Samuel to run the Hill Samuel Smaller Companies Unit Trust for two years before rejoining Carrington Pembroke in 1986, launching and managing their UK Growth fund. I joined AXA Framlington in 2002 as the lead manager for the AXA Framlington UK Select Opportunities fund.

In terms of investment style, I take a fundamental, bottom-up approach, with unconstrained, high-conviction stock-picking ultimately the primary source of added value. I incorporate top-down macroeconomic views as part of the process – enduring themes that I expect to drive market growth over the medium-to-long term – in order to help me to define/filter the investment universe.

I'm essentially looking for superior businesses that can generate healthy, sustainable growth in earnings and dividends. Earnings ultimately fund dividend payments, which, in turn, can be reinvested into more stock. Compounding reinvested dividends is a key factor in generating superior, long-term returns. At the same time, company valuation, and not 'over-paying' for prospective growth, is central to any investment decisions.

Given the focus on identifying undervalued growth potential, the mid and small-cap areas of the market tend to be well represented in my portfolio. While the FTSE 100 Index is made up of stocks that have 'made it' in terms of their success and growth, mid and small-cap companies are still generally in, or entering, the 'sweet spot' of their growth cycle.

In the end, I am looking to build a portfolio that reflects a good spread of businesses that is wholly forward looking. There is little to be gained from hindsight and I firmly believe that investing is all about 'tomorrow, tomorrow, tomorrow'.

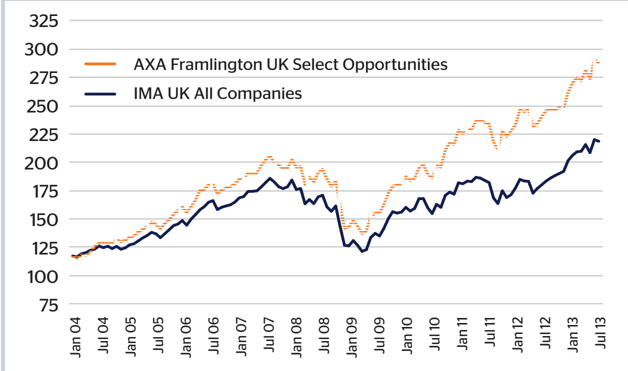
RECOVERY, RE-SHORING AND RETAIL

Turning to some of the current themes running through the AXA Framlington UK Select Opportunities portfolio, I have been adding exposure to companies likely to benefit from the nascent economic recoveries in the US and the UK. Towards the end of 2012, following a trip to the US, I commented on the fact that I was beginning to look 'West rather than East' in the portfolio, in the belief that the economic recovery in the US would have a greater impact on the UK than China. The US, in particular, was experiencing a manufacturing renaissance, with re-shoring of capabilities and labour helping to fuel the economic recovery. At the same time, the reduced oil price brought about by the shale energy boom is giving US companies a significant competitive advantage over countries like China and India.

Accordingly, during the second half of 2012, for example, we bought Wolseley and Ashtead – two UK companies acutely exposed to a US economic recovery and to a recovery in US construction in particular. Around 50% of Wolseley's profit comes from the distribution of building materials in North America, while Ashtead is the second largest plant hire company in the US, where a secular change to rental, from owned, equipment is evident.

Meanwhile, in the UK, while not as advanced as in the US, the early stages of recovery also present a number of good opportunities, with media and general retailers being two areas of focus. Our investment in ITV, for example, has proven to be well timed in terms of its own recovery and that of the hoped-for recovery in the economy. In the general retailers area, names like Dunelm Group and Next are key holdings. Next, for example, has proved particularly adept at managing, even embracing, change. It is not by luck that one third of Next's revenues are now derived from online sales. Their investment in leading-edge logistics and warehouse systems enables them to take an internet order up to 10pm at night for next day delivery – Next by name, next day by nature!

AXA UK SELECT OPPORTUNITIES PERFORMANCE



Source: Lipper, Bid to Bid, Net Income Total Return, Net Fees, GBP.

Looking ahead, comments from the US Federal Reserve recently, flagging the potential commencement of 'tapering' of US quantitative easing before the year end, is causing uncertainty amongst investors. And with liquidity being 'sucked out' of emerging markets as a result, market volatility is probably due to rise. However, as economic recovery strengthens, led by the developed world, and the US in particular, equities look an attractive option as we move closer towards 2014.

THE CHELSEA VIEW:

"With over 20 years managing money, Nigel Thomas has one of the best long term-track records in the City. Nigel is a very experienced stock-picking manager looking for special situations and turnaround stories. He has demonstrated that he can outperform across a wide range of market conditions."

the Chelsea **Selection**

AROUND 100 OF OUR TOP-RATED FUNDS, ORGANISED BY SECTOR

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	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
UK ALL COMPANIES											
Ⓒ Artemis UK Special Situations	6	27.07	77	48.15	74	58.20	63	158.94	36	1.20	1133.3
Ⓒ AXA Framlington UK Select Opportunities	6	20.94	137	52.29	56	74.45	30	203.37	11	0.96	4297.6
BlackRock UK Special Situations	7	22.91	116	49.50	67	65.86	43	208.86	9	0.87	1885.0
Cazenove UK Opportunities	6	39.98	10	87.77	2	136.22	3	241.00	3	1.30	2142.8
Franklin UK Mid Cap	7	33.24	37	74.58	11	119.94	5	359.09	1	0.65	875.0
JOHCM UK Dynamic NEW ENTRY	7	34.03	30	59.30	27	89.81	15			2.83	68.4
Ⓒ JOHCM UK Opportunities	5	16.09	222	42.79	97	53.24	76	-	-	3.04	1200.0
Legal & General UK Alpha	8	28.18	69	37.68	122	87.09	16	-	-		166.3
Ⓒ Liontrust Special Situations	6	18.43	182	79.65	6	122.44	4	-	-	0.69	1074.0
Ⓒ M&G Recovery	6	12.05	242	27.46	212	45.76	102	171.57	25	0.84	7302.8
Marlborough UK Leading Companies	7	24.04	107	55.26	44	78.15	28	211.29	8	1.06	96.4
Old Mutual UK Alpha NEW ENTRY	7	37.14	19	54.14	47	50.67	78	99.93	120	2.30	502.5
Stan Life Inv UK Equity Unconstrained	8	54.34	1	83.38	4	141.44	2	-	-	0.51	707.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**23.88**	**246**	**40.65**	**234**	**46.19**	**213**	**119.21**	**158**	-	-
UK EQUITY INCOME											
Ⓒ Artemis Income	5	21.98	42	43.87	41	55.69	21	158.08	11	3.90	5972.8
Evenlode Income	5	20.80	51	50.32	17	-	-	-	-	3.52	38.6
Fidelity Enhanced Income	5	13.70	90	38.18	52	-	-	-	-	5.95	201.0
Ⓒ Invesco Perpetual High Income	5	20.16	53	48.13	22	57.32	15	220.67	1	3.34	14163.3
JOHCM UK Equity Income NEW ENTRY	6	29.21	12	58.38	8	98.63	3	-	-	4.60	2100.0
Marlborough Multi Cap Income	7	35.73	5	-	-	-	-	-	-	4.02	431.1
Ⓒ Rathbone Income	5	25.03	27	54.45	11	51.66	28	129.79	18	3.57	589.5
Royal London UK Equity Income NEW ENTRY	5.5	30.20	9	62.25	5	75.64	5	165.50	9	3.83	506.3
Ⓒ RWC Enhanced Income*	5	10.94	55/56	–	–	–	–	-	-	7.00	3944.5
Ⓒ Threadneedle UK Equity Alpha Income	5	20.16	53	48.13	22	57.32	15	220.67	1	3.34	14163.3
Troy Trojan Income†	5	14.09	91 / 97	45.11	36	64.59	14 / 72	-	-	4.10	1277.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**22.39**	**95**	**42.25**	**86**	**48.40**	**70**	**116.96**	**53**	-	-
UK SMALLER COMPANIES											
Cazenove UK Smaller Companies	8	47.64	3	122.89	2	160.65	2	349.06	2	0.30	747.1
Franklin UK Smaller Companies NEW ENTRY	8	46.03	5	49.01	43	33.55	41	116.23	32	0.24	56.0
Ⓒ Marlborough Special Situations	7.5	29.86	33	77.44	19	108.04	9	338.15	4	0.65	651.2
Marlborough UK Micro Cap Growth	8	30.76	31	89.21	8	141.39	3	-	-	-	180.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**31.00**	**47**	**65.04**	**47**	**76.48**	**43**	**174.87**	**32**	-	-
CORPORATE BOND											
Invesco Perpetual Corporate Bond	2	9.43	3	17.83	12	45.96	5	73.85	2	4.02	5612.4
Ⓒ Kames Investment Grade Bond	1.5	4.19	17	18.89	8	43.47	7	-	-	3.41	624.5
Kames Sterling Corporate Bond	1.5	5.92	7	19.41	6	37.02	22	54.58	11	3.38	537.4
M&G Strategic Corporate Bond	1.5	2.18	47	17.92	11	62.17	1	-	-	3.01	5270.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**2.82**	**75**	**14.42**	**74**	**32.65**	**66**	**46.25**	**47**	-	-
HIGH YIELD											
Kames High Yield Bond	3	5.99	18	25.68	5	58.14	3	108.44	3	4.95	1528.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**9.05**	**23**	**22.57**	**19**	**50.91**	**18**	**90.47**	**16**	-	-
STRATEGIC BOND											
Artemis Strategic Bond	3	8.29	15	20.18	16	39.59	18	-	-	4.40	537.1
Fidelity Strategic Bond	2	3.05	48	16.47	29	53.61	6	-	-	2.64	1438.0
Ⓒ Henderson Strategic Bond	3	4.94	40	15.99	31	38.62	19	-	-	5.70	1040.0
Ⓒ Invesco Perpetual Monthly Income Plus	3.5	13.95	4	25.92	5	57.95	5	125.51	1	5.58	3820.0
Ⓒ Jupiter Strategic Bond	2	7.63	19	25.73	6	71.86	1	-	-	5.20	1504.8
Ⓒ Legal & General Dynamic Bond	2.5	6.93	26	12.65	46	70.83	2	-	-	4.90	1774.3
Ⓒ M&G Optimal Income	2.5	7.40	21	24.75	7	66.57	4	-	-	2.92	15870.5
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**5.26**	**65**	**16.30**	**58**	**35.12**	**48**	**59.28**	**26**	-	-
ABSOLUTE RETURN											
Ⓒ BNY Mellon Absolute Return Equity*	5	8.69	61 / 150	-	-	-	-	-	-	-	440.4
Cazenove UK Absolute Target NEW ENTRY	5	10.81	8	20.41	7	20.82	11	-	-	-	309.1
Henderson UK Absolute Return NEW ENTRY	5	16.25	5	19.85	8	-	-	-	-	-	182.4
Ⓒ Newton Real Return	5	2.96	33	12.37	15	32.58	6	119.43	1	3.14	8322.0
Ⓒ Standard Life Inv Global Absolute Return Strategies	5	3.52	31	10.08	21	40.07	4	-	-	1.02	17755.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**5.43**	**49**	**9.94**	**37**	**17.05**	**18**	**-**	**1**	-	-
EUROPE EXCLUDING UK											
Baring Europe Select*** NEW ENTRY	8	37.03	4 / 11	54.05	4 / 11	73.79	3 / 11	342.94	2 / 8	1.63	647.9
Ⓒ BlackRock Continental European	7	29.47	34	39.13	19	57.40	6	203.61	5	0.45	470.0
BlackRock Continental European Income	6.5	34.70	12	-	-	-	-	-	-	3.75	91.0
Henderson European Growth	7	29.74	31	38.39	21	46.27	9	200.38	6	1.10	965.7
IM Argonaut European Alpha	8	27.45	47	34.70	28	53.62	7	-	-	0.37	186.0
Ⓒ Jupiter European	6.5	26.82	57	47.61	9	73.96	3	245.69	2	0.90	2308.5
Jupiter European Special Situations	7	30.98	24	38.78	20	44.64	10	231.29	4	0.40	772.2
Liontrust European Growth	7.5	21.66	83	33.45	31	35.64	18	-	-	1.47	59.0
Ⓒ Schroder European Alpha Plus	6.5	24.04	75	30.10	51	33.75	21	-	-	0.29	1039.1
Ⓒ Threadneedle European Select	7	25.44	69	54.11	1	74.09	2	176.39	8	0.40	2045.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**28.74**	**88**	**32.52**	**84**	**26.48**	**70**	**127.85**	**55**	-	-

	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
NORTH AMERICA											
Ⓒ AXA Framlington American Growth	7	11.92	65	52.09	24	60.21	8	89.36	14	-	580.1
Ⓒ F&C US Smaller Companies*** NEW ENTRY	8	29.83	2 / 5	66.12	2 / 5	78.70	3 / 5	139.46	3 / 4	-	88.1
JPM US Equity Income NEW ENTRY	6.5	19.67	38	57.58	10					2.25	1818.6
Jupiter North American Income	6.5	20.85	25	53.36	18	59.02	11	107.39	6	1.60	503.9
Legg Mason US Equity Income	6.5	17.41	59	-	-	-	-	-	-	2.00	47.2
Miton US Opportunities NEW ENTRY	7	-	-	-	-	-	-	-	-	-	20.7
Threadneedle American Select	7	17.61	58	56.16	12	62.50	5	101.97	8	-	2217.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**20.67**	**66**	**48.25**	**61**	**50.10**	**51**	**72.02**	**42**	-	-
JAPAN											
GLG Japan Core Alpha	10	39.69	4	17.70	28	43.57	9	100.47	2	0.49	1141.5
JOHCM Japan*	10	27.19	33 / 105	28.25	20 / 99	45.23	14	-	-	-	480.5
Ⓒ Jupiter Japan Income	9.5	20.11	34	17.33	30	31.55	14	-	-	2.20	631.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**27.37**	**38**	**25.61**	**37**	**31.64**	**32**	**37.21**	**29**	-	-
ASIA PACIFIC EXCLUDING JAPAN											
Aberdeen Asia Pacific	7.5	5.03	45	12.61	25	62.21	15	243.33	3	0.80	2458.0
Baring ASEAN Frontiers*	10	2.51	153 / 163	13.29	49 / 138	90.24	9 / 123	-	-	-	778.3
Fidelity Emerging Asia	10	4.31	46	-	-	-	-	-	-	0.48	10.0
Ⓒ First State Asia Pacific Leaders	7.5	8.24	33	24.76	7	73.91	9	-	-	0.31	6894.0
Invesco Perpetual Asian	7.5	11.65	14	15.10	21	62.59	14	213.39	9	0.71	559.3
JOHCM Asia ex Japan Small and Mid Cap*	9	18.17	18 / 163	-	-	-	-	-	-	-	12.0
Ⓒ Newton Asian Income	7.5	10.11	23	43.12	2	109.03	2	-	-	4.98	3944.5
Ⓒ Schroder Asian Alpha Plus	8	7.23	39	21.44	12	94.56	4	-	-	0.15	504.5
Schroder Asian Income	7.5	12.86	11	30.42	5	84.06	6	201.13	11	4.24	386.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**9.56**	**48**	**12.73**	**44**	**54.43**	**39**	**186.62**	**29**	-	-
GLOBAL EMERGING MARKETS **											
Fidelity Emerging Europe Middle East and Africa	10	7.05	54 / 125	14.60	34 / 89	44.72	8	-	-	1.10	110.0
Fidelity Latin America*	10	-5.45	161 / 210	-13.37	126 / 168	24.52	42 / 134	-	-	-	1774.0
Invesco Perpetual Hong Kong & China	10	36.04	2 / 14	22.18	2 / 12	64.99	2 / 9	237.70	2 / 3	0.81	207.7
JPM Emerging Markets Income	9.5	5.88	8 / 43	-	-	-	-	-	-	3.76	113.2
JPM New Europe	10	3.17	73 / 125	-8.74	69 / 89	-5.69	58	186.00	6 / 24	1.74	166.0
Ⓒ M&G Global Emerging Markets	10	2.93	15 / 43	0.25	15 / 36	-	-	-	-	0.55	1122.3
Neptune Russia & Greater Russia	10	2.29	76 / 125	-8.65	68 / 89	4.08	46	-	-	0.74	323.6
GLOBAL EQUITIES **											
Artemis Global Income NEW ENTRY	6	27.27	1 / 26	52.10	2 / 19					4.30	289.0
Fundsmith Equity	6	19.96	78 / 183	-	-	-	-	-	-	0.83	1500.0
JOHCM Global Select*	7	22.78	105 / 402	45.72	27 / 331	-	-	-	-	-	1200.0
M&G Global Basics	7.5	10.20	172 / 183	14.77	147 / 157	19.54	125 / 143	211.26	3 / 91	0.27	4577.6
Ⓒ M&G Global Dividend	6	20.01	76 / 183	43.31	20 / 157	65.98	9 / 143	-	-	3.12	7511.4
Newton Global Higher Income	6	12.96	23 / 26	39.36	7 / 19	48.11	3 / 14	-	-	4.21	4038.7
Ⓒ Rathbone Global Opportunities	6.5	19.36	89 / 183	41.67	24 / 157	49.17	27 / 143	204.24	4 / 91	-	268.3
MISCELLANEOUS **											
Ⓒ Artemis Strategic Assets	6	21.19	15 / 128	28.45	30 / 100	-	-	-	-	0.50	973.6
AXA Framlington Global Technology	10	6.44	7 / 7	41.35	5 / 7	86.39	2 / 6	140.31	2 / 6	-	221.6
BlackRock Gold & General	10	-30.86	120 / 125	-39.73	84 / 89	3.22	47	103.31	14 / 24	-	1420.0
GLG Technology Equity	10	16.94	3 / 7	45.26	4 / 7	80.88	4 / 6	85.09	5 / 6	-	165.8
Ⓒ Henderson UK Property NEW ENTRY	3.5	8.17	10 / 40	15.97	18 / 36	4.75	21 / 32	27.14	5 / 7	4.20	1060.0
HSBC Open Global Return	3	8.71	93 / 183	19.61	68 / 153	27.22	63 / 108	-	-	0.46	211.6
Investec Global Gold	10	-30.40	119 / 125	-38.17	83 / 89	2.23	50	-	-	-	83.8
JPM Natural Resources	10	-16.29	118 / 125	-31.57	78 / 89	-9.42	60	191.03	5 / 24	-	1064.0
Jupiter Financial Opportunities	8	27.13	8 / 125	7.46	46 / 89	33.97	17	143.10	9 / 24	0.40	523.9
Legal & General UK Property Trust	3.5	3.50	25 / 40	11.19	20 / 36	10.55	16 / 32	-	-	2.80	864.2
Ⓒ Miton Special Situations Portfolio	4	5.47	115 / 128	9.16	96 / 100	29.40	45 / 79	155.67	3 / 39	-	883.2
Old Mutual Global Strategic Bond	3	-0.26	24	4.25	29 / 41	49.87	6 / 35	80.67	7 / 25	1.00	925.9
Schroder Global Property Securities	7.5	5.58	17 / 40	21.68	11 / 36	38.00	5 / 32	-	-	0.57	878.3

Ⓒ = Funds featured in The Chelsea Core Selection – see pages 12–17.

* These funds are domiciled offshore and therefore sit within a different sector. Please note different regulations may apply to funds with offshore status. Investors are not normally entitled to compensation through the UK Financial Services Compensation Scheme for offshore funds.

** Multiple sector amalgamation, hence the sector positions shown are within various different underlying sectors.

*** This fund falls within a different sector, hence the sector positions shown vary.

† This fund is not within the UK Retail UT & OEIC universe.

Whilst every effort has been made to ensure the accuracy of this information, including discounts, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein. Please read the Important Notice on page 2. Past performance is not a guide to future returns. Correct at time of print, 13/09/13, but subject to change. Source: FE Analytics, total return, UK Retail UT & OEICs universe, 02/09/2013.

The RedZone names and shames the worst-performing funds over three years. The DropZone brings funds to your attention which have underperformed their sector averages by the largest amount over the period and, which we believe, should be dropped like a hot stone from investment portfolios.

Don't forget, Chelsea clients can switch out of these underperforming funds for free. See page 40 for details.

The RedZone

Does being a member of a gym guarantee fitness? Apparently, two thirds of those who pay annual subscriptions to health clubs or gyms never go back after the first couple of visits, so the answer to my question, not unsurprisingly, is no.

Likewise, simply investing in a fund doesn't guarantee you'll be better off financially. Putting money into a fund and then not reviewing it on a regular basis can end up being a big mistake and, unfortunately, there are a huge number of investors who have been paying an annual fee to fund managers, who are consistently failing to perform. Like an unused gym membership, it's a waste of money.

We don't believe in apathy – we want our customers to have as much information at their fingertips as possible, so that they can reach, and hopefully exceed, their financial goals. Not only do we try to find the funds we think will do best for you over time, but we also try to identify those that won't.

That's where RedZone comes in. We identify those funds which have consistently underperformed their peers over the past three years, to encourage anyone invested in them to at least take a look and see if they ought to switch their investments into something else. Sometimes there may be good reasons for the underperformance and investors may decide to be patient with the manager. In some cases, ditching a perennial underperformer is the best thing to do.

SWIPZONE

This time round, there are 115 funds in the RedZone, with total assets of £33.46 billion. There are some names we see time and time again, but also some newcomers so it's worth taking time to look at the table.

Almost a third of the assets (£10.79bn) are managed by one company, RedZone 'favourite', Scottish Widows/SWIP. Second worst offender in terms of assets under management is Legal & General (£3.7bn), followed by State Street (£2.1bn).

Furthermore, Scottish Widows/SWIP come joint top with regard to the number of funds, with no fewer than seven appearing on these pages. Three of these have more than £1bn of assets each, with the largest, Halifax UK Growth, accounting for a whopping £6bn. Legal & General are joint top, also with seven funds, and are followed by HSBC with four funds.

This time last year, I was writing more positively about Scottish Widows/SWIP, as a number of their funds had come out of the RedZone, due to them undergoing a change of strategy and becoming enhanced index funds. It seems a lot more work needs to be done, across their range, to sort out these performance issues. If it continues as it is, I may have to rename this page the SWIPZone.

"Not only do we try to find the funds we think will do best for you over time, but we also try to identify those that won't."

SAM SLATOR
Head of Communications, Chelsea

FALLING STARS AND AIMING HIGH

Amongst the underperformers are three that may surprise, as they are funds run by very talented and experienced managers.

The first is St James Place UK High Income, which is an equity income fund managed by Neil Woodford. It has less investment flexibility than his more well-known Invesco Perpetual branded funds, however, and higher charges won't have helped. Why investors would choose a more expensive way to access Neil's investment skills is beyond me!

The second is Jupiter Merlin Worldwide Portfolio run by John Chatfield Roberts and his team. Manager selection in this fund of funds has been relatively good, but it has been heavily exposed to the long-term structural growth opportunities in emerging markets, with less exposure to developed markets, which have fared much better in the last three years.

The third is Cavendish AiM, which is managed by Paul Mumford. Paul runs another fund, Cavendish Opportunities, which has a bias to smaller companies and, by contrast Cavendish Opportunities is amongst the top 20 performing funds since Lehman's went bankrupt five years ago (further details in Market View on page 5). The reason for the vastly different performance can mainly be put down to the AiM (Alternative Investment Market) stock market having underperformed in general. Many of the companies listed are very small and recently established, which makes them less liquid and hence more volatile. The market is also home to many oil and mining companies, sectors which have not done very well in the past few years. So performance of this fund, and Henderson Irish and UK Smaller Companies, which also has exposure to micro-caps and AiM stocks, is more down to the AiM market underperforming vs smaller companies, rather than poor stock selection.

DROPZONE

Speaking of fund performance since the global financial crisis began in earnest, you may be happy to hear that only 7% of all the funds available to UK investors – over 1,400 in total – have failed to beat cash over the last five years and only 1% (or 20 funds) are still in negative territory.

So here's another easy-to-answer question for you: which fund do you think has had the worst performance over this period? Yes, you guessed it, Manek Growth, serial DropZone attendee, and featuring in first place this month. Thankfully there are 'only' £20 million worth of assets remaining in this fund because it is still down 38% since Lehman's, and has underperformed the sector average by 83% over three years.

DropZone

THE WORST OF THE WORST FROM THE RedZone.

		% underperformance from sector average*
1	Manek Growth	-82.96%
2	IM HEXAM Global Emerging Markets	-32.98%
3	Ignis UK Focus	-32.96%
4	CF Lacomp World	-32.90%
5	Neptune Global Special Situations	-30.79%
6	F&C High Income	-28.75%
7	Marlborough UK Income & Growth	-27.31%
8	Cavendish North American	-22.45%
9	Neptune Global Equity	-22.34%
10	Cavendish AIM	-21.98%

*Based on three-year cumulative performance

the **RedZone** funds

ASIA PACIFIC EXCLUDING JAPAN

Fund	3 year % growth	Quartile Position
Cavendish Asia Pacific	6.34	4
HSBC Asian Growth	1.08	4
Jupiter Asian	9.54	4
SECTOR AVERAGE	15.7	

CORPORATE BOND

Fund	3 year % growth	Quartile Position
M&G Short Dated Corporate Bond	5.14	4
SECTOR AVERAGE	13.97	

EUROPE EXCLUDING UK

Fund	3 year % growth	Quartile Position
AXA Rosenberg European	25.94	4
CIS European Growth	22.25	4
Halifax European	31.39	4
HSBC European Index	34.32	3
Legal & General European Index	32.06	4
Legg Mason Continental European Equity	29.81	4
M&G European Index Tracker	33.25	4
Royal London European Growth	36.17	3
Vanguard FTSE Developed Europe ex UK Equity Index	30.58	4
SECTOR AVERAGE	39.28	

FLEXIBLE INVESTMENT

Fund	3 year % growth	Quartile Position
Legal & General Multi Manager Growth	9.9	4
NFU Mutual Adventurous Portfolio	22.79	3
Schroder MM High Alpha	21.01	4
SF Adventurous	19.04	4
Thesis Headway	15.76	4
SECTOR AVERAGE	26.93	

GLOBAL BONDS

Fund	3 year % growth	Quartile Position
City Financial Strategic Global Bond	-3.47	4
Investec Global Bond	-0.11	4
Newton International Bond	0.96	4
Threadneedle Global Bond	-2.39	4
SECTOR AVERAGE	8.23	

GLOBAL EMERGING MARKETS

Fund	3 year % growth	Quartile Position
Ⓓ IM HEXAM Global Emerging Markets	-31.92	4
Neptune Emerging Markets	-18	4
Templeton Global Emerging Markets	-19.87	4
UBS Global Emerging Markets Equity	-10.36	4
SECTOR AVERAGE	1.06	

GLOBAL EQUITIES

Fund	3 year % growth	Quartile Position
Ⓓ CF Lacomp World	2.21	4
Ecclesiastical Amity International	20.74	4
FP Matterley International Growth Portfolio	23.35	4
IFDS Brown Shipley MultiManager International	22.91	4
JP Morgan Global Consumer Trends	22.82	4
Jupiter Merlin Worldwide Portfolio	24.08	4
Marlborough Global	23.45	4
MGTS Clarion Explorer Portfolio	17.9	4
Ⓓ Neptune Global Equity	12.77	4
Ⓓ Neptune Global Special Situations	4.32	4
NFU Mutual Global Growth	21.91	4
Old Mutual Voyager Global Dynamic Equity	26.93	4
Premier Global Strategic Growth	29.49	4
R&M Global Opportunities	19.58	4
Santander Global Shares Portfolio	28.34	4
SECTOR AVERAGE	35.11	

GLOBAL EQUITY INCOME

Fund	3 year % growth	Quartile Position
Old Mutual Global Equity Income	23.36	4
R&M Global High Income	30.31	4
SECTOR AVERAGE	42.57	

HIGH YIELD

Fund	3 year % growth	Quartile Position
Investec Monthly High Income	15.45	4
SECTOR AVERAGE	22.97	

JAPAN

Fund	3 year % growth	Quartile Position
AXA Rosenberg Japan	13.47	4
Martin Currie Japan	17.94	4
SECTOR AVERAGE	29.18	

MIXED INVESTMENT 0-35% SHARES

Fund	3 year % growth	Quartile Position
Barclays Income Portfolio	6.72	4
Fidelity Multi Asset Defensive	6.2	4
SECTOR AVERAGE	13.56	

MIXED INVESTMENT 20-60% SHARES

Fund	3 year % growth	Quartile Position
CF Danske Cautious Managed	16.7	3
CF Danske Income	9.09	4
CF Heartwood Cautious Income Multi Asset	16.4	3
EFA New Horizon Growth	12.75	4
Fidelity Multi Asset Strategic	15.08	4
IFDS Apollo Multi Asset Balanced	6.85	4
Legal & General Multi Manager Income	11.66	4
Scot Wid HIFML Diversified Income	5.65	4
Scot Wid HIFML Diversified Return	6.65	4
T. Bailey Defensive Cautious Managed	15.47	4
Thesis Optima Multi-Asset Strategy	6.08	4
SECTOR AVERAGE	19	

MIXED INVESTMENT 40-85% SHARES

Fund	3 year % growth	Quartile Position
Baring Portfolio	22.9	4
CF Danske Balanced	21.63	4
Doherty Pn&Inv Consultancy Ltd TB Doherty Balanced Managed	17.08	4
Legal & General Multi Manager Balanced	11.48	4
Old Mutual Voyager International Diversified	15.79	4
Schroder MM Strategic Balanced	17.6	4
SWIP Multi Manager Optimal Multi Asset	18.66	4
SECTOR AVERAGE	26.19	

NORTH AMERICA

Fund	3 year % growth	Quartile Position
Allianz US Equity	39.93	4
Ⓓ Cavendish North American	32.78	4
F&C North American	51.18	3
Scot Wid HIFML US Focus	46.12	4
SECTOR AVERAGE	55.23	

STRATEGIC BOND

Fund	3 year % growth	Quartile Position
BNY Mellon Global Strategic Bond	9.75	4
Cazenove Strategic Bond	12.91	3
Investec Strategic Bond	3.25	4
SECTOR AVERAGE	16.13	

TARGETED ABSOLUTE RETURN

Fund	3 year % growth	Quartile Position
Old Mutual Voyager Alternative Investments	1.41	4
Threadneedle Absolute Return Bond	0.09	4
VT icf Absolute Return Portfolio	0	4
SECTOR AVERAGE	10.33	

UK ALL COMPANIES

Fund	3 year % growth	Quartile Position
Aviva Inv Blue Chip Tracking	35.59	4
Aviva Inv UK Index Tracking	36.29	4
Clerical Medical FTSE 100 Tracker	36.01	4
Halifax UK FTSE All Share Index Tracker	38.25	3
Halifax UK FTSE 100 Index Tracking	33.88	4
Halifax UK Growth	38.05	3
Henderson UK Tracker	34.82	4
Ⓓ Ignis UK Focus	12.67	4
Kames UK Equity	34.84	4
Legal & General (A&L) Capital Growth	37.05	4
Legal & General UK 100 Index	35.88	4
Legal & General (N) Tracker	38.49	3
Ⓓ Manek Growth	-37.33	4
Marlborough UK Primary Opportunities	13.63	4
Royal Bank of Scot FTSE 100 Tracker	35.1	4
Royal London UK Growth	34.12	4
Santander Premium UK Equity	36.42	4
Sarasin EquiSar UK Thematic	33.72	4
SWIP Foundation Growth	38.78	3
Thesis Resolution UK Equity	32.29	4
Virgin UK Index Tracking	36.51	4
VT The Munro UK Dividend	35.11	4
SECTOR AVERAGE	45.63	

UK EQUITY & BOND INCOME

Fund	3 year % growth	Quartile Position
CF IM UK Equity & Bond Income	25.32	4
Ⓓ F&C High Income	3.95	4
HSBC Monthly Income	33.05	3
SECTOR AVERAGE	32.7	

UK EQUITY INCOME

Fund	3 year % growth	Quartile Position
Elite Charteris Premium Income	28.37	4
GLG UK Income	34.6	4
Ⓓ Marlborough UK Income & Growth	19.43	4
Santander Enhanced Income Portfolio	28.29	4
St James Place UK High Income	41.43	3
SECTOR AVERAGE	46.74	

UK GILTS

Fund	3 year % growth	Quartile Position
HSBC Gilt & Fixed Interest	7.26	3
SECTOR AVERAGE	8.5	

UK INDEX LINKED GILTS

Fund	3 year % growth	Quartile Position
Natwest Inflation Link UK Sovereign Bond	19.26	4
Threadneedle UK Index Linked	20.45	3
SECTOR AVERAGE	20.68	

UK SMALLER COMPANIES

Fund	3 year % growth	Quartile Position
Ⓓ Cavendish AIM	46.22	4
CF Progressive UK Smaller Companies	49.49	4
Invesco Perp UK Smaller Companies Equity	69.4	3
Jupiter UK Smaller Companies	60.3	4
Henderson UK & Irish Smaller Companies	60.5	4
MFM Techinvest Special Situations	46.9	4
SECTOR AVERAGE	68.2	

Please read the Important Notice on page 2.

This is a purely statistical chart, featuring funds which have been 3rd or 4th quartile for three discrete consecutive years. All cumulative statistics % change, bid to bid, net income reinvested, three years to 02/09/2013, month end.. Source: FE Analytics.

ANDREW MILLIGAN, CHIEF ECONOMIST AND HEAD OF GLOBAL STRATEGY AT STANDARD LIFE INVESTMENTS, DISCUSSES HOW THE ECONOMIC LANDSCAPE HAS CHANGED OVER THE LAST 30 YEARS SINCE CHELSEA FIRST OPENED FOR BUSINESS. ANDREW AND HIS TEAM ARE RESPONSIBLE FOR THE IDEA GENERATION BEHIND STANDARD LIFE INVESTMENTS GLOBAL ABSOLUTE RETURN STRATEGIES – ONE OF CHELSEA'S CORE SELECTION FUNDS.

AROUND THE WORLD

ANDREW MILLIGAN
Chief economist and head of global strategy, Standard Life Investments

Can you remember what happened 30 years ago? 1983 was a very important year for me: I proposed, and was accepted and we started to prepare for the big wedding. At the time I was working in the civil service, and was wondering about whether to leave and move to a strange new world called The City.

The City was a very different place then. We had not yet had the Big Bang, so investment banks were rather smaller and certainly less dangerous than they are today. The Big Bang, for those too young to remember, was a major piece of deregulation in London, opening the door to much more overseas investment, and shaking up our way of life. Out went long boozy lunches with stockbrokers, in came power breakfasts with American bankers!

THE WORLD IN NUMBERS

Some statistics might help flesh out how different the world was. In 1983, the FTSE 100 stock market index was 984 (versus 6500 today). The average house price was £27,000, about four times the average salary. That makes today's price of £170,000 look rather expensive, even more so when you realise that such houses now cost six times the average salary! Savers were rewarded and borrowers had to think carefully before taking on debt, as the average base rate during 1983 was 9.8%!

Thirty years ago, the global population was roughly 4.7 billion people, whilst now it is about 7.1 billion and still expanding by about 1% a year. People are living longer too; a new born baby boy in the UK can expect to live to the age of 78 years, a girl to 82, both over 5 years longer than when I got married. Larger populations mean greater pressures on resources, such as land, water or commodities, one factor making some of these products more expensive. Back in 1983, we had just seen one of the infamous spikes in the oil price but it still only cost about $30 per barrel, against $110 today.

Many of the terms and phrases we regularly use today, indeed some of the countries and many of the products which we invest in, did not exist in their current form 30 years ago. For example, the Soviet Union was still intact, Germany was divided into east and west, the euro currency was only an idea being discussed in academic circles. The early stages of the internet were being constructed, but this was largely used by academia and the US defence department, while mobile phones were analogue, 1G, hefty and very expensive! The green movement was alive and well – 'The Good Life' finished on TV back in 1978 – but the perils of climate change were argued about by scientists, not the mass media.

GLOBALISATION AND GEOPOLITICAL SHIFTS

Today, we live in a global village, one where events on a small island like Great Britain are often parochial, and markets are dominated by decisions made a long way away. Globalisation has been the watchword, a wide-ranging term covering the major shifts in how labour is used – basic manufacturing transferred to China, cheap services outsourced to India – and especially how capital flows have become much more international. The frontier markets have moved on from Japan or Europe to parts of Africa or central Asia.

Investors have had to adapt to the fall and rise of empires. In terms of geopolitics, the US came to dominate the world in the 1980s. The Cold War between the US and Russia was still very much alive that decade, indeed 1983 saw a dramatic false alarm of imminent nuclear war! Reagan's doctrine was to press ahead with a military spending race, one which America eventually won decisively when the Berlin Wall crashed, bringing down with it the Russian empire. States across eastern Europe turned their attention to the West, supporting the eventual expansion of the European Union.

Today the dominant axis is not across the Atlantic, but across the Pacific. The focus of attention for America is how to adapt to the amazing rise of China, the new kid on the block. Back in 1983, the Chinese economy, slowly moving away from centralised control, was only some $300 billion, now it is a behemoth approaching $9 trillion. Put another way, 30 years ago the US was over 10 times the size of China, now it is only double.

Technology has played a key part in creating this global village. I remember reading the news on ticker tape crawling out from a Reuters terminal, while my children are au fait with Facebook, Twitter or Instagram. At various times, investors have been overwhelmed by the opportunities which this wave of technology creates. Many people will remember the speculative TMT (Technology, Media and Telecoms) or dot.com bubble around 2000. The Nasdaq stock market in the US, for example, did a spectacular round trip from under 1400 in 1998 to over 5000 at its peak in 2000, before crashing all the way back within 18 months. Fortunes were made, and lost!

HOW THE UK HAS CHANGED

How the global village is regulated has changed over time, with the rise and fall of the market economy. Mrs Thatcher's recent death led to a flurry of stories about how she 'rolled back the frontiers of the state', dropping the target of full employment, privatising industries, tackling union power, removing exchange controls. The stock market performed very well in the 1980s and 1990s, indeed these were two of the best decades in the whole of the 20th century. Part of this was due to liberalisation, but much was due to the global success in tackling inflation after the crises of the 1970s. RPI inflation approached 22% p.a. in 1980 but harsh monetary policy reduced it to 3-4% by the mid 1980s. The UK faced a further crisis when inflation surged again to almost 11% in 1990. However, the more independent monetary policy adopted after 'Black Wednesday' in 1992 (the crisis when the UK was forced out of the Exchange Rate Mechanism), firmly established the UK as a low inflation economy.

Liberalisation of financial markets was, of course, halted in its tracks by the financial crisis of 2008-09, and the subsequent banking scandals. Regulation is very much the order of the day, with new institutions such as the Financial Conduct Authority producing a stream of new legislation. Central banks have also interfered in, even manipulated, bond, currency, equity and property markets in ways that would have seemed inconceivable 10-15 years ago, although much more common place 30-40 years ago. The end result for many savers, of course, has been pressure to take on board extra risk, as interest rates have been their lowest for generations.

How do fund managers or asset allocators work in this environment? In most respects, while the resources available to us are much greater – information available at the click of a button – the global village means we need to understand much more complicated

IN THIRTY YEARS

dynamics. More specialist, international teams working closer together are required to monitor these issues, not only the standard economic and corporate news but increasingly the regulatory and political aspects of investing. A key feature of the post financial crisis era is the greater involvement of governments, doing away with the laissez-faire, soft touch approach which so categorized the 1990s and 2000s. I began my career in the City as an economist, I became a strategist, indeed a psychologist, now I need to be a political analyst.

LOOKING AHEAD

It is very dangerous to try and look ahead 30 years, but what might we see? One problem is making straight line extrapolation; major events will undoubtedly knock the world off track. The power of compound interest is very clear though – in 30 years' time the FTSE 100 index could reach 100,000, and even adjusting for inflation that would equate to 76,000, so a 10-fold rise from today's levels.

Equity investing is attractive, for those who can really take the long view. What crises and geopolitical shocks could we see though? Let me suggest: the unification of North and South Korea, leading to another Asian super power; war between China and its neighbours over the energy deposits of the South China Sea; climatic change causing losses to the world economy measured in trillions of dollars. But relief in sight as the world's population looks set to stabilize between 9-10 billion. Oh, and the UK still refuses to join the 40-strong European Monetary Union!

Putting aside those geopolitical uncertainties, one theme does remain rather certain – the state will have less and less resource to support households, so the emphasis grows even more for the individual to look after themselves and their families. Save more and save often will be our watchwords, but as ever relying on sensible advice on where and how to invest. In that sense, the world does not change. ■

We thought the 30th Anniversary of Chelsea seemed like an appropriate time to ask some of the industry's leading fund managers their view of the global economy. We posed ten pertinent questions to the fund managers on the Chelsea Core Selection to find out.

PHILIP RAE
Research Analyst, Chelsea

2013 Fund manager survey

1. Where do you see the FTSE 100 in 12 months time?

<5900	5900-6500	6501-7000	7000
3%	17%	66%	14%

2. When do you think the Bank of england will raise Interest Rates?

0-12 months	12-24 months	24-36 months	>36 months
0%	31%	43%	26%

3. Which developed market stock do you think will perform the best over the next 12 months?

UK	US	EU	Japan
14%	29%	40%	17%

4. Do you see inflation becoming a problem over the next 5 years?

YES	NO
49%	51%

5. Have we seen the worst of the European Sovereign Debt crisis?

YES	NO
60%	40%

6. On which asset class are you most bullish on a 3 year time horizon?

Equities	Bond	Gold	Property	Gilts	Commodities
89%	3%	6%	0%	0%	3%

7. On which asset class are you most bearish on a 3 year time horizon?

Equities	Bond	Gold	Property	Gilts	Commodities
0%	34%	20%	3%	43%	0%

8. Do you think that it is likely that any of the current eurozone members will depart the single currency?

YES	NO
37%	63%

9. Have we seen the end of the commodity supercycle?

YES	NO
63%	37%

10. Which markets are most likely to outperform over the next 5 years, emerging markets or developed market equities?

Emerging	Developed
46%	54%

The results of the fund manager survey yielded more mixed results than I expected, the only consensus is that fund managers are more or less united in their bullish outlook for equities, over three quarters of our fund managers think the FTSE 100 will end the year at or higher than its current position. Interestingly, the general outlook for bonds and gilts, usually regarded as low risk in comparison with their equity counterparts, is becoming increasingly negative. The issues facing the asset class were discussed in our last edition of Viewpoint and we maintain our cautious view.

The answers to our other questions are less conclusive. It is clear there is still uncertainty surrounding inflation and interest rates. It is inevitable that interest rates will rise if economies begin to see further recovery, particularly if inflation begins to tick up. That said, predicting when central banks will make the decision is tricky, and, although our survey indicates that for the UK it is expected this will happen in the next two to three years, it is by no means unanimous. Furthermore, the question of inflation issues for the UK has completely divided our survey participants.

Last summer's comments from the European central banker, Mario Draghi, went some way to reassuring markets of European stability. Even so, the eurozone continues to divide the investment community. Our survey shows the majority believe the worst of the crisis is behind us, and that departures from the euro are unlikely, however, it does remain a possibility.

Interestingly, now, our managers expect developed markets to outperform over the next five years. For the first time in recent years, emerging markets do not appear to be the expected growth markets. ■

With grateful thanks to those fund managers who took the time to complete our survey: **Adrian Frost** (Artemis); **William Littlewood** (Artemis); **Derek Stuart** (Artemis); **Steve Kelly** (AXA Framlington); **Nigel Thomas** (AXA Framlington); **Vincent Devlin** (BlackRock); **Alistair Thompson** (First State); **Angus Tulloch** (First State); **Jenna Barnard** (Henderson); **John Pattullo** (Henderson); **Paul Causer** (Invesco Perpetual); **Paul Read** (Invesco Perpetual); **Neil Woodford** (Invesco Perpetual); **Neil Gregson** (J P Morgan); **Ben Leyland** (JOHCM); **John Wood** (JOHCM); **Ariel Bazelel** (Jupiter); **Alex Darwall** (Jupiter); **Simon Somerville** (Jupiter); **Euan McNeil** (Kames); **Stephen Snowden** (Kames); **Richard Hodges** (L&G); **Anthony Cross** (Liontrust); **Julian Fosh** (Liontrust); **Giles Hargreave** (Marlborough); **Martin Gray** (Miton); **Rob Burnett** (Neptune); **Jason Pidcock** (Newton); **Iain Stewart** (Newton); **Carl Stick** (Rathbone); **James Thompson** (Rathbone); **Nick Purves** (RWC); **Matthew Dobbs** (Schroder); **Leon Howard-Spink** (Schroder); **Leigh Harrison** (Threadneedle).

Making your investments work harder

Introducing the PruFund Range of Funds from Prudential

It is important to make your savings and investments work as hard as possible for you without exposing yourself to risks that you are not comfortable in taking. With inflation rates higher than interest rates, and the Governor of the Bank of England announcing that interest rates are likely to remain low over the next three years, you should look for a return on your money that is nearer to, or higher than, inflation to help stop your purchasing power being reduced.

Prudential offer a unique range of funds called the PruFund Range of Funds. These funds aim to grow your money over the medium to long term, whilst protecting you from some of the ups and downs of direct stock-market investments. The longest running and most popular example of these funds is PruFund Growth.

PRUFUND GROWTH

PruFund Growth is a multi-asset vehicle designed to provide a return in excess of inflation, but with lower volatility than the equity market – it currently has an expected annual growth rate of 6.2% before charges*. The fund achieves this by a mechanism called "smoothing" where returns are delivered via a unique formula that aims to give you a more stable return than you would get if you were directly exposed to the daily changes in the performance of the underlying assets of the fund. Below is a chart showing the effect of smoothing, as well as the performance of the fund versus both the FTSE 100 and the RPI:
The fund is managed by Prudential's 25-strong multi-asset team, who

PRUFUND GROWTH FUND PERFORMANCE

Source: Financial Express 13/09/2013.

are supported by Prudential's in-house fund manager, M&G. M&G are one of the best resourced fund managers in the UK and have a particularly strong fixed income team.

FIVE YEAR DISCRETE PERFORMANCE

Time period	31/07/08 to 31/07/09	31/07/09 to 31/07/10	31/07/10 to 31/07/11	31/07/11 to 31/07/12	31/07/12 to 31/07/13
Performance	17.09%	13.93%	13.57%	6.65%	6.33%

*Source: Prudential 27th August 2013.

POSSIBLE TAX BENEFITS

Investment bonds have a different tax treatment from other investments. This can lead to valuable tax-planning opportunities for individuals as follows:

- As this is a non income-producing product you do not need to declare any gains on your annual self-assessment tax return until you encash your investment.
- There is a 5% tax deferred annual withdrawal facility (regardless of your tax status) – subject to a total of 100% of the amount paid in. Unlike income from unit trusts this is a return of capital, so does not affect your personal or age allowance.
- Withdrawals over and above this 5% allowance may be subject to further tax for higher and additional rate tax payers. Basic rate taxpayers will have no further liability.
- For higher and additional rate tax payers careful planning can minimise or even remove your tax liability on the gain.
- As a life assurance contract, this product would not normally be included for care home means testing.

FLEXIBILITY:

- Lump sums of between £10,000 and £500,000.
- Top ups can be made at any time.
- You can make regular and partial withdrawals.
- You can make a full withdrawal at any time.

HOW TO INVEST

For full details on PruFund, smoothing, expected growth rates, performance and for all documentation which explains the terminology, features, restrictions and risks of the Prudential Investment Plan please contact us on **020 7384 7300**.
Chelsea are charging a 1% handling fee, which is likely to be significantly lower than other advisers.

30 years of Che

We asked some of our clients what '30' means to them

30 years of investing...

EUAN GRANT, FROM NORTH LONDON, HAS BEEN A DIY INVESTOR FOR ALMOST 30 YEARS.

“I made my first investment in my 20s, choosing to split my savings between a package of Fidelity Unit Trusts and investment bonds. A year later, I became a direct shareholder, as the wave of privatisations undertaken by the Thatcher administration really started to take off. And so a life-long interest in investments began.

When I started investing regularly in funds, I chose some pretty exotic asset classes – or at least they were at the time! Today they are much more mainstream. For example, some of my first investments were in the Far East and European equities.

The most important decision I made, however, was in 1988 when I decided to invest via a monthly savings plan rather than with lump sums. It's a habit I've continued ever since and has enabled me to sleep more easily at night.

Once I reached 50, I felt I had a shorter investment horizon, so I began to cut risk in my portfolio and today my investments are arranged with a view that at some point, when I retire, I will draw an income from them.

I chose to invest via Chelsea as they offered me a cheaper way of investing in funds, as well as a way of consolidating some of my investments. That saves me a lot of time now, and makes the management of my portfolio feasible.”

30 years young...

ALEX AND MELISSA DUDLEY, FROM SOUTH LONDON, ARE ABOUT TO TURN 30 AND HAVE JUST STARTED INVESTING FOR THEIR FUTURE.

“We got married last summer and, having had to scrimp and scrape to pay for our wedding, not to mention wanting to buy a house and start a family eventually, the need to invest some money to help pay for some of these things has really hit home.

We weren't really sure where to start when it came to choosing an investment, but a friend recommended Chelsea to us and, having had a look at their Viewpoint magazine, we decided to opt for one of the EasyISAs.

Picking an EasyISA took away the need to try and narrow down an overwhelming number of fund choices ourselves, and we liked the fact that our small pot of money would be split between different types of investments in the UK and abroad.

The international aspect of investing is of real interest to us. I started my working life in the Army, with a view to seeing more of the world, and more recently I helped organise the transport for the Olympics, which again had a very international feel. Melissa works for an international insurance company too, so I think we'll continue to invest in overseas companies as our pot of money grows.”

lsea investing

and their investments.

30 years to go...

SOPHIE AND ADRIAN BLYTHE, FROM CHELMSFORD, ARE 30 YEARS FROM RETIREMENT AND INVESTING TO PAY OFF THEIR INTEREST-ONLY MORTGAGE.

“We took out an interest-only mortgage just before Harriet, our daughter, was born, mainly to free up some extra cash to cover childcare costs as I needed to return to work. Frankly it's been a godsend and taken a lot of pressure off, as our incomes have been squeezed in the last few years.

Fin, our son, is now eligible for the 15 hours of free child care from the government and will start school in September, so for the first time in seven years we have a bit of spare money and can turn our thoughts to paying off the mortgage.

In the last year we have shored-up our cash ISA so that we have a healthy 'emergency fund' and have started paying into an investment ISA on a monthly basis, via M&G Global Dividend, which we chose from the Chelsea Core Selection. I like the diversification the fund gives us but I'll also look to increase the number of funds we invest in as our pot of money grows.”

Feeling 30 again...

THREE GENERATIONS OF CHRIS BOWDEN'S FAMILY ARE CLIENTS OF CHELSEA.

“I started investing with Chelsea many years ago, having had their services recommended by my neighbour.

I have always invested on a monthly basis, topping up with the odd lump sum, as and when I have had the extra money available, and making full use of my ISA allowance.

I am fortunate to have a reasonable pension provision but a proportion of my retirement income now comes from these ISAs and other tax-efficient equity-based investments. This extra money has allowed me to travel reasonably extensively during my retirement.

I have stayed with Chelsea over the years as I value the helpful and friendly response I receive each and every time I telephone, and the EasyISAs have made it easy to spread investments for even modest amounts of money.

When my son started work I encouraged him to invest for his future too and, more recently, I have started a Junior ISA for my new grandson, Laurence, who was born in June. I have also funded a Child Trust Fund for my older grandson, Tristan, and I hope that the government will soon make it possible for me to transfer this into a Junior ISA too.”

The properties of income

WITH INTEREST RATES SET TO REMAIN AT RECORD LOWS AND INVESTORS NERVOUS OF BOND MARKETS, WE THOUGHT NOW WOULD BE A GOOD TIME TO ASK AINSLIE MCLENNAN, CO-MANAGER OF THE HENDERSON UK PROPERTY UNIT TRUST, ABOUT HER FUND AND HOW THE PROPERTY SECTOR COULD HELP INVESTORS DIVERSIFY THEIR INCOME STREAMS.

AINSLIE MCLENNAN
Co-manager, Henderson UK Property Unit Trust

THE UK COMMERCIAL PROPERTY SECTOR, AND YOUR FUND IN PARTICULAR, HAS RECENTLY SEEN INFLOWS, WHY DO YOU THINK THIS IS?

During recent months we have witnessed a notable change in investor interest in the commercial property market, driven by a desire for income-yielding assets, which has led to investor flows into the asset class and our fund since the start of the year. Complementing an attractive yield profile that has the potential to keep pace with inflation, UK commercial property also brings diversification in the form of a well-balanced portfolio of real estate assets.

WHEN CONSTRUCTING THE PORTFOLIO WHAT CHARACTERISTICS DO YOU LOOK FOR IN THE PROPERTY AND POTENTIAL TENANTS?

The five key credentials we consider when purchasing a property are its attractiveness in terms of location, lease length, building specification, tenant strength and whether or not institutional-class lease terms are in place. If the property has strong characteristics for all five then it is deemed to be prime. A property with at least three (but not all five) of these attributes is considered core, which can provide us with greater opportunities to add value through asset management initiatives. For example, we often negotiate existing leases with tenants to deliver longer or more favourable terms.

COMPARED WITH SOME OF THE OTHER FUNDS IN THE SECTOR YOU HAVE AN ATTRACTIVE YIELD, DO YOU BELIEVE THIS IS SUSTAINABLE IN THE LONG TERM?

We do; over 90% of the tenants within the fund are deemed to be low to very low risk, with some of our principal properties let to established names, such as Standard Life, Tesco, B&Q and Centrica. From an investor's point of view, analysing a property fund's tenant base is vital because the rental income stream drives the distribution yield. By focusing on higher-quality, well-located properties with well-resourced, low-risk tenants on long leases we seek to reduce the risk of rent default and of having vacant properties.

THE PROPERTY SECTOR HAS HAD A TOUGH TIME OVER THE PAST FIVE YEARS BUT, WITH MORE ENCOURAGING MACROECONOMIC DATA EMERGING FROM THE UK, DO YOU THINK THE WORST IS BEHIND US?

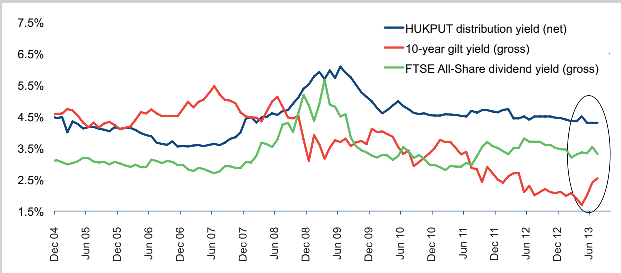
Recent UK macroeconomic data has been encouraging and positive capital gains across the overall commercial property market during May, June and July are signs that a recovery is taking hold. However, with certain occupational markets still struggling we do remain cautious on the economy and continue to believe that a tenant base which is strong enough to withstand further economic strain will remain important, so high occupancy rates and low-risk tenants are key.

ARE YOU CONCERNED BY INTEREST RATES INCREASING OR INFLATION TICKING UP?

When we shape the fund we are looking at diversification and protection in the right areas over different parts of the economic cycle, not just in the current environment. A rise in interest rates would lead to a rise in corporate and consumer borrowing costs but would also be a sign that unemployment has fallen and the economic recovery is strengthening. Inflation is a concern particularly when it is still outpacing earnings growth.

One of the benefits of commercial property, however, is that it can provide good inflation protection, although this does depend on the lease structure. Property assets normally feature leases with open market rent reviews, upward-only rent reviews or, in some cases, rental uplifts based on the Retail Prices Index (RPI) measure of inflation. In fact, the fund's most recent purchase – a central London hotel – is let to a tenant on a 26-year inflation-linked lease. ■

HENDERSON UK PROPERTY UNIT TRUST (HUKPUT) VS GILTS AND UK EQUITIES



Source: Henderson Global Investors, Thomson DataStream; July 2013
Past performance is not a guide to future performance

HENDERSON UK PROPERTY UNIT TRUST

- Net dividend yield is currently 4.3% (as at 31st July 2013)
- A 'bricks and mortar' focused fund that provides direct exposure to UK commercial property
- £1.1bn fund focused on core properties with robust tenant covenants
- South east bias and low exposure to the high street retail sector
- Managed by Ainslie McLennan and Marcus Langlands Pearse, with strong support from Henderson's 200-strong property division

THE CHELSEA VIEW:

"The funds' exceptionally high occupancy rate, combined with the length of the lease terms, make us confident that the yield is sustainable going forward."

CHELSEA RISK RATING:	3.5
STANDARD INITIAL CHARGE:	5.00%
INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%

STRUCTURED PRODUCTS

Potential income of 5.76% p.a. paid monthly

With Mark Carney, the new governor of the Bank of England, indicating interest rates are to remain at record lows for the foreseeable future, income investors are increasingly having to look at some of the less mainstream asset classes to find an attractive yield. Structured products, and in particular the Investec Enhanced Income Plan, can potentially offer a healthy monthly income, with some downside protection built in.

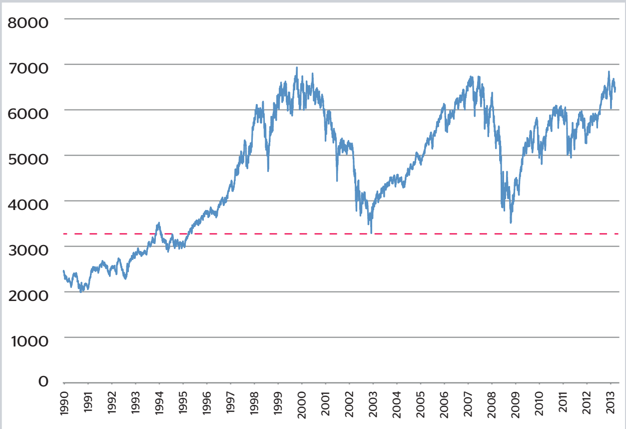
Investec are one of the UK market leaders in structured products. They offer a wide range of both deposit and investment products but, having recognised the difficulties facing income investors in the current climate, they have recently launched the Investec Enhanced Income Plan. The plan is designed to provide an income above what investors can expect to receive in a cash account, but shelters their money from some of the stock-market volatility.

HOW DOES THE PLAN WORK?

Every six weeks Investec will launch a new plan with the rate and length of term varying slightly from plan to plan. To illustrate how the plan works we will use the most recent incarnation, The Enhanced Income Plan 5:

- Fixed income payments of 0.48% per month (or 5.76% p.a.) for the six-year term.
- If the FTSE 100 falls by more than 50% at any point during the Plan, the value of your capital will fall by 1% for every 1% that the FTSE 100 is below the starting level at maturity. Assuming the FTSE 100 stays above 6,400, it would have to fall to 3,200 before your capital is at risk. Below is a chart of the FTSE 100 since 1990.

THE FTSE 100 INDEX PERFORMANCE SINCE 1990



Source: Yahoo! Finance, 28/08/2013.

With the 50% barrier in place it is still possible to achieve an attractive income even if the FTSE 100 were to fall significantly from its current level. This investment may be suitable for clients who are willing to put their capital at risk in order to receive higher payments than could otherwise be achieved from cash products, and are therefore likely to have at least a medium attitude towards risk. Also, as the length of the plan is six years, this plan is only suitable for long-term investors.

WHAT ARE THE RISKS?

- If the counterparty becomes insolvent (in this case Investec) investors may not receive any income and may lose some or all of their capital. In this event you will not be protected by the Financial Services Compensation Scheme (FSCS). The current credit rating of Investec, as rated by Standard & Poor's, is BBB.
- The return of your capital is not guaranteed and is dependant on the level of the FTSE 100.
- Penalties may apply if you wish to receive your capital early.

The Investec Enhanced Income Plan has the potential to provide a fixed amount of interest for the structured product's term. This can be particularly helpful in setting a level of income for your portfolio, and your capital will be protected provided the FTSE 100 does not fall by 50% during the life of the plan.

The Investec Enhanced Income Plan is available for both ISA and non-ISA investment, as well as ISA transfers. Please note that the income is paid gross, directly to your nominated bank account, and subject to self-assessment if held outside an ISA. Investment in an ISA will not attract income tax. Income cannot be reinvested.

Chelsea are offering a 2% discount off the 3% initial charge in the form of an enhancement. If the Investec Enhanced Income Plan is of interest please call **0207 384 7300** to request a copy of the latest brochure or visit our website at **chelseafs.co.uk/structuredproducts/currentoffers** to see all of our latest offers.

THE CHELSEA VIEW

"For income-seeking investors who are nervous of the stock market, we think the 50% barrier, while not eliminating the risk to your capital, does provide an element of safety."

IMPORTANT NOTICE:

Structured products offer a pre-packaged investment strategy based on derivatives and may not be suitable for you. It is important that you understand their nature and risk prior to investing. If you are unsure, please seek expert advice. Please read our Important Notice on page 2. Before you invest you will be required to read and agree to the full product prospectus.

INVESTING NOW AND THEN...

ADRIAN FROST, MANAGER OF ARTEMIS INCOME, IS A LONG-STANDING MEMBER OF OUR CORE SELECTION. AS A SEASONED INVESTOR, WE THOUGHT HE WOULD BE THE MAN TO GIVE US SOME INSIGHT INTO WHAT INVESTING WAS LIKE 30 YEARS AGO WHEN CHELSEA WAS BORN AND HOW MUCH FUND MANAGEMENT HAS CHANGED SINCE THEN.

ADRIAN FROST
Fund manager,
Artemis Income

Rather cruelly, someone reminded me recently that I have been investing in stocks for more than 30 years. A lot has changed in that time; and my photograph offers powerful testament to the passage of time. But what changes, other than the alarming recession of my hairline, have I noticed over the last three decades?

When I started out in 1979 (AD rather than BC), London's financial sector (in general) and investment management (in particular) were cottage industries compared with the global behemoths they are today. Yet, while the growth of our industry has been remarkable, it is nothing compared with the astonishing rate at which the raw information on which it feeds has multiplied.

TOO MUCH OF A GOOD THING?

Today, fund managers are confronted by a constant deluge of data about the companies in which we invest. Investor relations teams provide us with reams of information: year-on-year comparisons, returns on equity, remuneration policies, detailed biographies of every independent, non-executive director – the list goes on. In 1979, none of that was deemed necessary. Information was in short supply and difficult to access. Company announcements were infrequent and terse. Shareholders, you felt, were to be tolerated rather than courted. The idea that a company might put together a presentation to explain its results would have seemed bizarre.

In fact, finding out anything at all was a challenge. For a stock picker, a company's Extel card was the font of all knowledge. This much-vaunted service was a seminal mine of information, all of it set down in miniscule type, condensed into three or four pages and stored in a filing box. Every financial institution had a set. Even among close colleagues, a misplaced Extel card could lead to heated accusations and bitter recriminations.

When this information was transferred to microfiche it was, therefore, a genuine leap forward. It is easy to assume that this rapid progress in the availability of information, from scarcity to abundance, has been 'a good thing'. At times, however, I wonder whether the sheer volume of information may serve to cloud, rather than to clarify, investment decisions.

TIME TO THINK...

You may find it difficult to believe that investment management could have functioned at all in such Neolithic conditions. But it wasn't all bad. As bonds were being ravaged by inflation and high interest rates, pension funds were increasing their exposure to the stock market. Equities were emerging as a useful and popular asset class. (I should, here, acknowledge the lasting power of first impressions. This period of high interest rates and rampant inflation may well have left its mark on the senior generation of investors to which I now belong. If we take a genuinely long-term view, it may be that fears of a return to such hostile conditions are overblown and are actually a result of some investors' formative experiences in the 1970s and 1980s. We shall see.)

Even though equities were becoming more popular in the 1970s, things still unfolded at a more sedate pace. Early in my career, I was fortunate to 'work' ("So that's three coffees – two with sugar. Two ham sandwiches. Three beef – two with mustard.") on the floor of the Stock Exchange. At that time, the only 'price transmission mechanism' was the mouth of a market maker. Prices were input by hand before appearing eventually on an electronic screen (a converted television set). This certainly allowed us plenty of time to contemplate the news. And while there was still volatility, it seemed to unfold in slow motion.

I can't help but question whether the split-second price moves we see today really help the market's ability to make good, long-term investment decisions. Today many companies

announce their results at 7 a.m. By 7.20 a.m. the jury of the market has sat, mulled over the evidence and delivered its verdict. So much for a considered opinion.

DIFFERENCES OF OPINION ...

A related point on time-frames and decision-making: the investing timeframe of many market participants is linked to the way in which they are remunerated. As a result, some brokers and fund managers now see the process of investing as a succession of calendar years rather than as a continuum. That is not, however, entirely unwelcome; one investor's short-term perspective can give rise to opportunities for those of us who take a longer view.

Despite the excitable tones in which it is delivered, it is rare that the morning's news has any material impact on a company's long-term cashflows, the thing that really underpins the long-term valuation of a company. But if everyone saw the world that way, then the manager of a long-only equity income fund would have far fewer opportunities to make money for the fund's investors. So, over the past three decades, information technology has made huge strides, even as the investment horizons of some market participants have contracted.

The third big change has been in the role played by debt. Today, leverage is a far more prominent tool than it was 30 years ago. There were periods during the 1970s and 1980s in which interest rates hit double digits – as much as 16% in 1978/9. Given these conditions, many companies viewed having minimal debt as a badge of honour. Borrowing money to buy back shares in the name of balance-sheet efficiency would have been regarded as an act of diminished responsibility. Today, with interest rates so low and with companies having ready access to a deep and sophisticated corporate bond market, such actions seem far more legitimate.

The most significant change, however, has been to something that once seemed almost akin to a law of nature: the tendency for companies (and their share prices and dividend yields) to revert to the mean.

THE INTERNET AND THE END OF MEAN REVERSION?

For the greater part of my career I have been able to invest on the basis that corporate performance would generally revert to the mean. Underperforming companies tended to be neglected, rather than terminally knackered. In such cases, a change of management would, more often than not, right the ship. This process of rehabilitation was often characterised by a reversion to the mean in the company's dividend yield. As the necessary medicine was administered and normality was restored, dividend yields would fall from high levels (at the point where worried investors had abandoned the company) towards more normal levels. Perhaps it is no coincidence that some of the great recovery managers forged their reputation in this period.

Today, however, mean reversion looks less certain. While the threats are widespread, the most commonly cited example is the disruptive influence of e-commerce. Faced with the online challenge, some long-established businesses are finding themselves all but redundant. Some of the threats – to the printed word and the retail sector – are now better understood than they once were. To my eyes, the point of interest is now shifting to understanding the long-term implications of online success. For example, has Amazon built an unassailable market position that can never be challenged? Will Marks & Spencer ever catch up with John Lewis, whose early and aggressive move into online retailing has encroached into M&S's heartland? Questions such as these apply across a number of industries. In banking, insurance, savings, pensions and online gaming, the quality of a company's 'digital property' and its promotion and development are absolutely critical to its survival.

Initially, some might have thought that the internet would remove barriers to competition. But it seems the reverse may be true. In many areas, a small number of companies – or even just one – are becoming dominant. The task for investors is not only to ascertain a company's profitability but to try to judge its longevity. Increasingly, companies that are challenged by the internet will have to make hard choices. White flags of surrender will become commonplace. This makes the old assumptions of mean reversion far riskier: some companies will never resurface.

The old rule of thumb was that if, within a given sector, company X is cheaper than company Y, then the former should be bought at the expense of the latter. This may no longer hold. We may be in a new world, one in which valuations tend to diverge rather than the opposite. To my mind, this challenge to the assumption of mean reversion may be the biggest change in investment management that has taken place in the last 30 years. It certainly carries significant implications for many investment strategies.

But not quite everything has changed over the past 30 years. Despite the increasingly sophisticated tools used by our industry to model and analyse the ever-growing mountain of data, what remains as important today as it was in 1979 is clear observation and good sense. Much changes – but long may those two virtues remain the same. ■

‘ABENOMICS’

THE KEY TO JAPAN’S LONG-TERM ECONOMIC IMPROVEMENT

SIMON SOMERVILLE, MANAGER OF THE JUPITER JAPAN INCOME FUND, DISCUSSES INVESTING IN JAPAN ...AND HOW THIS TIME IT MIGHT REALLY BE DIFFERENT.

SIMON SOMERVILLE
Manager, Jupiter Japan Income

Japanese equities have rebounded strongly since November 2012 on hopes that ‘Abenomics’, a series of measures introduced by the country’s new Prime Minister Shinzo Abe, would lift the Japanese economy out of years of stagnation and chronic deflation. But now that markets have travelled this far, many investors are wondering how much further they have to go.

THE LOST DECADES

Japan’s financial history in the last 30 years has been a salutary lesson in what can happen when excessive exuberance leads to massive over-investment in shares and property. After a seemingly meteoric economic rise, Japan’s investment bubble burst at the end of 1980s. The government did what it could to reignite economic growth, by ramping up public spending, but this only pushed the country’s debt to an exorbitant level. At the same time, the population began to contract and Japan got caught up in the 1997 Asian financial crisis. These events, together with the flood of cheap imports from China, created the deflationary spiral.

In the early 2000s, the Bank of Japan attempted to counter it with an experimental bond buying (i.e. quantitative easing) programme but its effects were limited. The Japanese economy started to recover in the mid-2000s, helped by strong global demand for Japanese exports, and inflation briefly reappeared. However, deflation soon returned thanks to the sudden onslaught of the Western financial crisis, a strengthening yen and falling exports. Japan also suffered from weak politics, with six prime ministers appointed in as many years from September 2006.

Abe’s predecessors (of which he himself was one) all proved incapable of introducing effective economic measures.

THE THREE ARROWS

However, last November, Abe’s clear focus on inflation and boosting domestic growth persuaded the Japanese to elect him as Prime Minister. The yen weakened and, in January, Abe announced the first two ‘arrows’ of his economic plan, a ¥10.3 trillion (circa £70bn) package of stimulus measures, while prompting the Bank of Japan to adopt a 2% inflation target. Later, Abe appointed a pro-government Bank of Japan governor, Haruhiko Kuroda, with the approval of both parliamentary Houses. In early April, Kuroda announced plans to double the Bank’s quantitative easing programme to ¥7 trillion (c. £47bn) a month.

In addition to these fiscal and monetary measures, Abe outlined reforms in June that should form the final part of his ‘three arrow’ economic plans. However, these were less radical than the market had been hoping for and share prices wobbled as a result. This was exacerbated by concerns about the US Federal Reserve reducing its quantitative easing policy and an economic slowdown in China. The yen also showed signs of strengthening.

A specific concern for investors now is the timing of the increase in consumption tax, which is officially scheduled to rise from 5% to 8% in April 2014. However, this is dependent on the performance of the domestic economy and the government may postpone it for fear of choking off a recovery in consumer demand. This might initially upset the market, but any subsequent volatility may well present a good buying opportunity, in my view.

A NEW DAWN

Looking forward, I expect Abe’s policies to continue to dominate sentiment in Japan. Following the Upper House election on 21st July, Abe’s coalition now holds the majority in both the Upper and Lower Houses. Together with having his chosen governor of the Bank of Japan, Abe is in a uniquely strong position among recent prime ministers to make progress in economic reforms. Although some risk remains that he may not be able to deliver all that he has promised, his structural reforms appear so radical that even partial implementation should benefit Japan’s domestic economy, which has long been constrained by tight regulations, bureaucracy and a lack of effective policies.

The Jupiter Japan Income fund is currently positioned to take advantage of the intended effects of ‘Abenomics’, i.e. to boost consumer demand and bring back asset inflation, and this has led to an increase in selected holdings of financial and consumer-related stocks, where we believe there is a case for value to increase over time. ■

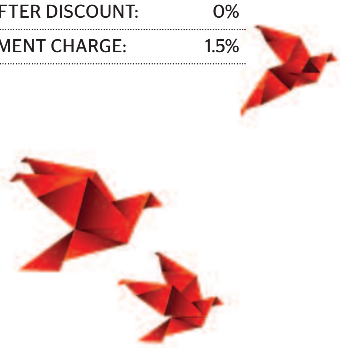
JUPITER JAPAN INCOME

- The fund aims to achieve long-term capital and income growth
- Focused on cashflow growth and in-depth understanding of companies
- The fund has a large-cap bias and currently holds 43 stocks
- The fund aims to take advantage of the effects of ‘Abenomics’

THE CHELSEA VIEW:

“The fund’s emphasis on dividend-paying companies, which is not normally a trait associated with Japanese equities, is a genuine differentiator and also reduces the volatility of the fund. Consequently, this vehicle is at the lower end of the risk spectrum of Japan-focused funds.”

CHELSEA RISK RATING:	9.5
STANDARD INITIAL CHARGE:	5.25%
INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%



VCTs: Looking beyond the mainstream

WITH INTEREST RATES REMAINING AT RECORD LOWS AND INVESTORS NERVOUS OF BOND MARKETS, MORE AND MORE PEOPLE ARE HAVING TO LOOK BEYOND THE MAINSTREAM ASSET CLASSES TO FIND AN ATTRACTIVE INCOME.

For wealthy and sophisticated investors one option could be venture capital trusts (VCTs). If you are prepared to lock your money away for the long term, these vehicles have the potential to provide a healthy and stable tax-free yield.

VCTs are a long-standing government initiative designed to encourage private clients to invest in small, typically unquoted, but potentially high-growth, businesses through the provision of generous tax breaks. To this end VCTs play an important role in filling the funding gap left by banks, who are unwilling to lend to small companies.

As a reminder, here are the current tax benefits of VCTs for subscriptions of up to £200,000 per tax year (tax benefits are dependent on individual circumstances):

TAX BENEFITS OF VENTURE CAPITAL TRUSTS

- 30% income tax relief (shares must be held for at least five years)
- Tax-free dividends
- Capital gains tax exemption upon sale of shares

To reduce the individual company risk a VCT manager will typically construct a portfolio of 30-40 companies. Dividends are paid when the portfolio companies mature and are sold to a third party.

THE OFFER: NORTHERN VENTURE CAPITAL TRUSTS

Northern, one of the most respected and experienced VCT managers, has recently announced their intention to raise £50m across their three VCTs. This will give investors access to their choice of three mature portfolios, with the potential for dividends from the outset. While all VCTs should be considered high risk, Northern attempt to lower the risk profile in three ways. Firstly, they primarily invest in profitable companies with a proven track record. Secondly, they usually invest via management buyouts (MBOs). This means they invest alongside the incumbent management team, who are in a unique position to understand the inner workings and potential of their company. Lastly, the deals are structured using around 90% loan notes. This not only gives the portfolio a yield, but also reduces the risk as debt holders have priority over equity holders.

In recent years the Northern VCTs have met or exceeded their target dividend payments. Below is a table showing the prospective tax-free yield an investor can expect, assuming the VCTs continue to achieve their targeted dividend payments:

	Issue Price (minus 3.5% costs)	With Tax Relief	Target Dividend	Potential Yield
Northern Venture Trust	87.46p	61.22p	6p	9.80%
Northern 2 VCT	85.28p	59.70p	5.5p	9.21%
Northern 3 VCT	106.01p	74.21p	5.5p	7.41%

Source: Northern prospectus July 2013

At the time of writing, Northern Venture Trust was fully subscribed.

“The Northern VCT’s healthy and consistent dividend payments over recent years has resulted in their rightful reputation as one of the best VCT managers around.”

HARRY DRISCOLL
Senior Research Analyst, Chelsea

HOW TO INVEST

If you are interested in the offer, with Chelsea’s discount of 2.5%, then please call **020 7384 7300** to request a brochure or visit our website at **chelseafs.co.uk/vcts/currentoffers**. Please be aware that existing investors will receive a further 1.5% discount if they invest before 30/09/2013 and new investors will receive a 1% discount if they invest before 22/11/2013.

IMPORTANT NOTICE:

Please be aware that VCTs are long-term investments. VCTs usually invest in small, unquoted companies and therefore carry a greater risk than many other forms of investment. The level of charges are often greater than unit trusts and OEICs and they can be harder to sell than more mainstream investments. Past performance is not necessarily a guide to the future. The value of investment, and the income from them, can fall as well as rise, due to market and currency fluctuations and you may not get back the amount originally invested. VCTs should be regarded as long-term investments. The FCA suggests a sophisticated investor is somebody with an annual income of £100,000 or investable assets of more than £250,000. If you invest in a VCT through Chelsea Financial Services we do not offer financial advice and you must make your own assessment of your expertise and the suitability of a VCT for your circumstances. If you have any doubts you should seek expert advice.

TOMORROW'S WORLD

JEREMY GLEESON, MANAGER OF THE AXA FRAMLINGTON GLOBAL TECHNOLOGY FUND, WHICH FEATURES ON THE CHELSEA SELECTION, DISCUSSES HOW TECHNOLOGY HAS CHANGED THE WORLD OVER THE PAST 30 YEARS AND WHAT TECHNOLOGICAL ADVANCES WE CAN EXPECT IN THE NEAR FUTURE.

JEREMY GLEESON
Fund manager,
AXA Framlington
Global Technology

Almost 30 years ago, on the 24th January 1984, Apple's then chairman, Steve Jobs, introduced the original Apple Macintosh personal computer. Since then, the trials, tribulations and successes of Apple Inc. have been widely documented, and the "Macintosh" remains an iconic design in the world of personal computers, and one that is remembered fondly by those of a certain age.

THE RISE OF THE HOME COMPUTER

Fast-forward to today, and the personal computer is a massive, global industry selling millions of units each year, with its presence felt in businesses, homes and academic facilities around the world. The traditional PC (desktops and laptops) has seen its popularity wane over the past couple of years, however new iterations of personal computing devices in the shape of tablets and smartphones have emerged and seen rapid adoption driven by the need to be connected. Global shipments in the first half of 2013 amounted to 69 million desktops, 85 million laptops, 34 million tablets and 454 million smartphones.

As an aside, the original Macintosh had a selling price of US$2,495, was powered by a 6MHz processor and contained 128kB of memory. It sold 70,000 units in the first three months it was on sale. The entry level model of Apple's iPhone 5 (launched in Sept 2012) retails for $649, runs on a 1.3GHz processor and holds 16Gb of memory (over 125,000 times more than the Macintosh). It sold over 5 million units in its first three days on sale.

Computer-related technology has become significantly more affordable over the past three decades (partly thanks to an observation commonly known as Moore's Law) and, when married with the widespread availability of broadband data connectivity, it has proliferated into our everyday lives. How else would Facebook be able to claim that it had 1.15 billion active users during the month of June, or that a Korean pop star could boast that there have now been over 1.7 billion views of his video on YouTube?

INNOVATIONS OF THE FUTURE

Technology is continually extending into all aspects of our daily activities. One could argue that car manufacturers such as Ford are now "makers of sophisticated computers-on-wheels". Modern cars are equipped with all manner of devices including voice activation to control music, phone calls and the temperature without taking your hands from the wheel. Within the next decade, GM, Audi, Nissan and BMW all expect commercially available driverless vehicles, taking us on a journey from cars that can help the driver to park, to those that can park themselves, and eventually to cars that can drive themselves.

Autonomous cars are just one example of how the IT sector continues to buzz with innovation, and I would anticipate that the coming decade will be as exciting as the past three have been, given the nascent stage of many technological developments experiencing commercial success. These advances will have a significant effect on many other industries in the coming years.

Within healthcare, the adoption of the electronic patient record ensures accurate information is readily available and smart labels help guarantee a patient receives the correct medicine and dosage they require. Online banking, electronic wallets and mobile payments are changing the way we transact, driven by a need for convenience and security. Meanwhile, the manufacturing industry is being transformed as software, robotics and 3D printers are employed to improve efficiency, reduce wastage and accelerate time to market for producers of goods around the world.

The affordability of computing hardware has led to the widespread adoption of technology in many industries, which in turn has fuelled a rapid rate of advancement, which will continue to impact our daily lives. All that is required is that the innovators of the future continue to think differently.

FundsUpdate

THIS IS WHERE WE KEEP YOU UP-TO-DATE ON SOME WIDELY-HELD FUNDS, OFTEN WHERE SOME CHANGE HAS TAKEN PLACE THAT WE BELIEVE TO BE NOTEWORTHY.

NEPTUNE EUROPEAN OPPORTUNITIES

BUY / **HOLD** / SWITCH

While the ten-year track record of this fund remains one of the best in the sector, the recent underperformance and the reasons behind the underperformance have led us to re-evaluate our rating on the fund.

When we met the manager, Rob Burnett, in the autumn of 2012 he said Neptune was optimistic on the prospects for the eurozone and consequently he had increased his exposure to cyclical stocks. He also was underweight quality defensive stocks on valuation grounds. In hindsight this call proved to be too early and has led to a significant dip in performance. This issue has been compounded by some strong sector bets and some non-european holdings that have also been a drag on performance. In the very recent past the fund's performance has improved and he may well be proved right in the end, but unfortunately the fund has underperformed for too long and we have therefore taken the decision to downgrade it to a hold.

BLACKROCK UK ABSOLUTE ALPHA

BUY / **HOLD** / SWITCH

From its launch in 2005, this fund was one of the forerunners of the absolute return sector. The fund started well, but in 2010 the performance started to deteriorate. The previous manager, Mark Lyttleton, had a strategy to allocate 10% of the fund to illiquid, but potentially high-growth, stocks. Initially these drove performance but, when market conditions changed, this strategy came under severe pressure. Consequently, in March 2013, there was a change of manager, with Nigel Ridge taking over the fund.

Nigel has made several changes to the mandate of the fund to better suit it to the current climate. Firstly, he has reduced the allocation to illiquid stocks. Secondly, there will be more of a focus on portfolio management, with pairs trading and hedging to be used more extensively. And lastly, Nigel is willing to tweak the design of the fund if the long-term macroeconomic environment changes. We think these changes should reduce the volatility of the fund and make it more robust in a wider range of market conditions. Also, Nigel has had considerable success running a hedge fund with a similar mandate, with not one negative discrete year since 2005. We have therefore upgraded this fund to a hold and are optimistic performance will improve in the near term.

OLD MUTUAL UK ALPHA

BUY / HOLD / SWITCH

Following his high profile recruitment from Schroders, Richard Buxton has wasted no time justifying his star billing. Having been given the Old Mutual UK Alpha fund, upon his arrival in June, he has seen the assets under management soar from around £150m to over £550m and he appears to have hit the ground running, with top quartile performance during this time.

At a recent meeting we learnt that he intends to run the fund with exactly the same mandate and investment strategy as his previous vehicle, Schroder UK Alpha Plus. Over his ten-year tenure at Schroders he built his reputation by constructing a concentrated portfolio of typically 20-40 holdings out of mostly UK large-cap stocks. He took a contrarian approach and was happy to wait for long-term ideas to come to fruition. His time at Schroders was characterised by outperformance but with some volatility. Richard also said the transition to Old Mutual was progressing smoothly and he assured us he is well supported by a similar sized team as he had previously, and several key lieutenants from Schroders have followed him to Old Mutual. Given that the fund has the same mandate as his previous vehicle and that we have confidence in his team at Old Mutual, we have no hesitation in promoting this fund to the Chelsea Selection.

Log in to your FundStore account to access the Chelsea fund review for our full list of buy/hold/switch ratings at chelseafs.co.uk

EXCLUSIVE VIEWPOINT MAGAZINE **READER COMPETITION**

HURRY!
COMPETITION CLOSES 31ST OCTOBER 2013

Your chance to **win** one of **30 prizes** including **£1,000** of units

To celebrate our 30th anniversary, we are offering you the exclusive opportunity to win units worth £1,000, to invest in any fund available on the Chelsea FundStore. Don't worry if you've used up your ISA allowance this year, as this investment could be held outside an ISA or even in a Junior ISA on behalf of a child or grandchild. There are also **four iPad Minis** and **25 sets of M&S vouchers worth £30** to be won.

HOW TO ENTER

Simply go to **chelseafs.co.uk/competition** and answer the 10 questions on the right, or complete the coupon below and send it back before 31st October 2013, and you'll automatically be entered into our prize draw.

Prize draw rules apply. Please see our website for details at **chelseafs.co.uk/competition**

Postal entries should be sent to: Chelsea Financial Services Competition, St James' Hall, Moore Park Road, London, SW6 2JS

QUESTIONS FROM VIEWPOINT

1. In 1983, what was the level of the FTSE 100 stock market index? (p24)
2. What is the dividend yield on the Henderson UK Property Unit Trust? (p30)
3. How high did UK interest rates get in 1978/1979? (p33)
4. Who is the current Prime Minister of Japan? (p34)
5. How much memory did the original Apple Macintosh have? (p36)

QUESTIONS ABOUT YOU

6. Which national newspaper do you read most often?
7. Do you invest in Chelsea's EasyISAs?
8. Have you ever, or would you ever, recommend Chelsea to family or friends?
9. Does anyone else in your family invest with Chelsea?
10. Which fund are you considering for your next ISA investment?

Competition entry form

Please reply by 31st October 2013

MY ANSWERS ARE:

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2
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10

NAME ....

ADDRESS ....

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POSTCODE ....

TELEPHONE ....

EMAIL ....

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IS THERE A DOWNSIDE?

You will not receive the annual reports for the underlying funds and income payment dates will vary slightly from those of the underlying fund providers.

You will need to complete a withdrawal form or send in a written instruction to sell your funds. Please note that this process can take 5-10 working days.

SET UP A FUNDSTORE ACCOUNT TODAY

To register, go to chelseafs.co.uk and select 'Account Login' on the home page

Select 'Registration' on the left-hand side and complete your details

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No problem. Many clients prefer to deal with us by post or telephone:

BY POST
Write to Chelsea Financial Services,
St James Hall, Moore Park Road, London SW6 2JS

BY TELEPHONE
Call us on **020 7384 7300** 9am–5pm Monday-Friday

Chelsea FundStore is powered by cofunds – an independent company, and one of the UK's leading investment platforms.

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All switches within the Chelsea FundStore are now available at 0% charge.

WHAT FREE SWITCHING MEANS FOR YOU:

- Get rid of poor-performing funds at 0%. Thanks to free switching, Chelsea clients saved over £140k in 2012 alone.
- Switching enables you to make changes to your portfolio with ease, allowing you to rebalance your portfolio or readjust as you see fit.
- Access to over 1,700 funds, from more than 90 different providers, all available at 0% charge for switches.
- Cash Reserve ISA: if you're unsure where to invest or just want to sit outside the market, you can hold cash within your ISA then switch into funds at 0% charge. There are no upfront or annual running costs to hold cash.

...and **free consolidation** too

The process of consolidating all your investments onto the FundStore platform is called re-registration.

There are no charges for re-registration and no change of fund manager. However, some platforms may charge an exit fee, but if they do we should be able to pay it for you. Please call our helpdesk on 020 7384 7300 to find out more.

Re-registration is easy.

Simply complete and return the form on page 44.

Make sure you benefit from **free switching** with all your funds...

If you have a Cofunds account with another intermediary, all you need to do is to appoint Chelsea as your servicing agent – just complete and return the form below:

CLIENT NAME:	CLIENT REFERENCE:

I wish to appoint Chelsea Financial Services as the servicing agent for my Cofunds investments.

SIGNED:	DATE:

Switch Instruction Form

The Chelsea **FundStore**

Please complete this Application Form using black ink in BLOCK CAPITALS and return to: **Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS**

1 Intermediary Details (For Intermediary use only)

Cofunds Intermediary Authorisation Code | 7 | 7 | | | | |

2 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

Designation (if applicable)

I have not received financial advice in relation to this investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Date of Birth (DD/MM/YYYY) / /

Current Permanent Residential Address

Postcode

Telephone Number

3 Joint Holders (All joint holders MUST complete this section)

Please include the full name and address of each holder. All correspondence will be sent to the 'primary' holder above.

Second named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Third named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Fourth named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

4 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.

You can only have one nominated bank account at any given time.

Name of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code – –

Bank/Building Society Account Number

Building Society Roll Number

5 Income

Complete this section if you have requested income units/shares ('INC').

The option you choose will be applied to all income units/shares you hold within this product.

Note: If you are taking regular withdrawals from your cash account you may only select the 'Cofunds Cash Account' or 'Retain in the fund' options.

☐ **Consolidated Monthly Income**
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

☐ **Cofunds Cash Account**
Income generated will be paid into your cash account to be held on platform for withdrawals or future investment.

☐ **Retain in the fund**
Income generated from this investment will be retained in the fund.

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default which will apply to all income funds you hold within this product.

CHELSEA Investment Intelligence™ powered by cofunds

6 Switching Details

FUND(S) TO BE SOLD

Please indicate the choice of fund(s) you wish to sell.

Fund Provider and Fund Name	ISA[1] or Inv. Funds	Continue Regular Mandate[2] (Y/N)	% to be Sold or ALL	OR	Whole Number of Units

Both partial and full sales of funds are permitted. Sale proceeds can be allocated to more than one fund if desired.

FUND(S) TO BE BOUGHT

Fund Provider and Fund Name	ISA or Inv. Funds	Type of Unit/Share (ACC/INC)[3] *(delete as appropriate)*	% of proceeds to be invested *(if more than one fund)*	Regular Contribution[4]
		N/A		£
		ACC/INC		£
		ACC/INC		£
		ACC/INC		£
		ACC/INC		£
		ACC/INC		£
		ACC/INC		£
		ACC/INC		£
		ACC/INC		£

[1] If you select 'ISA' and you hold more than one Cofunds Investment ISA (i.e. ISAs and PEPs from previous years) we will switch the required percentage/number of units in the following order: first: PEP, second: Mini ISA, third: Maxi ISA, last: Cofunds Investment ISA.

[2] If you are subscribing by monthly Direct Debit to the fund(s) that you have selected to sell, please specify whether you wish to continue subscribing to those fund(s). If you leave this section blank Cofunds will continue with your most recent Direct Debit instruction.

[3] If you do not specify ACC or INC in this column, and have not completed section 6, Cofunds will invest into accumulation units/shares where available.

[4] If you already subscribe by monthly Direct Debit to the fund(s) you currently hold, and you wish to subscribe to the fund(s) you are buying, please indicate in this column the monetary amount of the monthly subscription.

7 Authorisation (All joint holders MUST sign)

Switches between funds usually take a 2 business days to complete, depending on the valuation point for your chosen fund(s) so you should be aware that your investment may be out of the market for a period of time whilst the switch is taking place. This means there may be the potential for loss of income or growth if the market rises whilst the switch is pending.

Authorisation

I understand that if applicable, any application to switch will be deemed to include all former ISA and PEP products. I authorise Cofunds to switch on my behalf the investment fund(s) indicated above. I confirm that I have received the relevant product key features/fund specific information and/or Key Investor Information Documents relating to my investment.

Primary Holder Signature	Third Holder Signature
Date	Date
Second Holder Signature	Fourth Holder Signature
Date	Date

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SINCE THE BEGINNING OF THE YEAR, NEW RULES HAVE MADE THE TRANSFER OF ISA INVESTMENTS FROM ONE FUND SUPERMARKET TO ANOTHER MUCH EASIER. THIS MEANS THAT IF YOU HAVE INVESTMENTS WITH OTHER FUND SUPERMARKETS, SUCH AS FUNDSNETWORK OR SKANDIA, YOU CAN NOW EASILY MOVE THEM TO THE CHELSEA FUNDSTORE.

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- **Less paperwork:** you receive one statement, every six months, detailing all your investments.
- **Fund Review:** our research team provides proprietary fund commentary with your valuation statement, which includes our Chelsea Risk Rating (from 1 to 10) and Chelsea buy/hold/switch ratings.
- Wider investment **choice**
- **Online portfolio management**
- **Free** telephone dealing
- Personal **support** from our dedicated client team

FREE TRANSFERS

It's easy to transfer. Simply complete the form overleaf and return it to us. We will take care of the rest. Most fund supermarkets do not levy an exit charge, but if they do we should be able to pay it for you. Please call our helpdesk on 020 7384 7300 to find out more.

WHY TRANSFER TO FUNDSTORE?

Easy account management – you will receive good quality, personal service and support. Forget trawling through mountains of paperwork or spending hours on the phone to different companies. Bring your investments onto FundStore and you can easily manage them when you like, how you like: online; by phone or via post. The average telephone call is answered in less than five seconds by someone trained to answer your query.

Re-registration form

THE EASY WAY TO CONSOLIDATE YOUR PORTFOLIO

Move all your fund investments to ONE account. This will reduce the amount of paperwork you currently receive, provide you with ONE valuation statement twice yearly, and give you the information necessary to CONTROL your portfolio.

Please list below all your ISA and/or unit trust/OEIC investments that were purchased outside Cofunds and return to Chelsea.
We can then print the necessary transfer forms and send them to you for your review and signature.

Personal Details - Please complete this section in full and in block capital letters

Full name of unit holder(s)		Title	
Current address			
		Postcode	
Email address		Male	Female
Date of birth		National Insurance number	
Daytime telephone		Existing Cofunds number (if applicable)	

ISA investments - Please complete in block capital letters

Fund Provider	Fund Name	Account Number/ Plan Reference	Unit Type ACC/INC	Tick if current tax year	Tick if saving monthly
SAMPLE FUND MANAGERS LIMITED	SAMPLE HIGH INCOME FUND	12345	INC		

Unit Trusts/OEICs outside an ISA wrapper - Please complete in block capital letters

Fund Provider	Fund Name	Account Number/ Plan Reference	Account designation (if applicable)	No of Units	Unit Type ACC/INC
SAMPLE FUND MANAGERS LIMITED	SAMPLE UK GROWTH FUND	56789		ALL	ACC

Please photocopy this form if you require additional space.

EasyISA application form

2013/14 TAX YEAR - SELF-DIRECTED

The Chelsea **FundStore**

The disclosure documentation applicable to this transaction is: 0 9 1 3 S D I

This form is for Self-Directed clients only

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2013/2014 tax year stocks and shares ISA and each subsequent year until further notice. You are not obliged to invest in subsequent tax years unless you choose to do so.
The ISA allowance for all investors is £11,520 for the 2013/2014 tax year.
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7

% Initial Commission Waived **100%**

Please complete this Application Form using black ink and BLOCK CAPITALS and return to:
Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

I have not received advice from a financial adviser in relation to this investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Email Address

Daytime Tel No.

Male ☐ Female ☐ Date of birth __ __ / __ __ / __ __ __ __ (D D M M Y Y Y Y)

National Insurance Number __ __ / __ __ / __ __ / __ __ / __

If you do NOT have a National Insurance Number, please tick here. ☐

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.

2 Funding your investment

Please make your cheque(s) payable to Cofunds Limited.
I will be funding my investment by *(tick all that apply)*

☐ **Cheque** £ . Amount

☐ **Monthly Direct Debit** (please ensure you complete the 'Investment by Direct Debit' overleaf).

3 Investment Selection

Your total ISA subscription for each tax year must not exceed your ISA allowance.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2013/2014 For the amount of: £ **and for each subsequent tax year until further notice.**

I wish to invest in the Chelsea EasyISA (please choose one of the portfolios below). **See pages 8 & 9 for details.**
Minimum Portfolio investment lump sum £500; Minimum regular savings £50 per month.

		Lump Sum Min portfolio investment £500	Monthly Min investment £50 per month
Either	Cautious Growth EasyISA	£	£
Or	Balanced Growth EasyISA	£	£
Or	Aggressive Growth EasyISA	£	£
Or	Income EasyISA (please complete income payment section overleaf)	£	£
Or	Global Income EasyISA (please complete income payment section overleaf)	£	£

Your cheque payment Cheques must either be drawn on your own or your joint account. The cheque must be made payable to **Cofunds Limited.** For a Building Society cheque or banker's draft your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payments from other third parties. We do not accept payment by any other method.
Your monthly savings For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

CHELSEA Investment Intelligence™

powered by cofunds

4 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.
You can only have one nominated bank account at any given time.

Name of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code

– –

Bank/Building Society Account Number

Building Society Roll Number

5 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares within this product.

Consolidated Monthly Income
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

Cofunds Cash Account
Income generated will be paid into your cash account, outside the ISA, to be held on platform for withdrawals or future investment.

Retain in the fund
Income generated from this investment will be retained in the fund.

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default.

6 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- I am resident in the United Kingdom for tax purposes, or,if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties.

I authorise Cofunds Limited to:

- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:

- I have been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature X Date

Data Protection
Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary.
Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.
If you require a fund prospectus, please contact your Intermediary or Fund Manager directly.
If you wish to attend/vote at unit holder or shareholder meetings, please tick this box.
If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx.
If you wish to receive paper copies of reports and accounts please speak to your Intermediary.You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.
We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Investment by Direct Debit

c•funds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

Please fill in the whole form and send it to:
Chelsea Financial Services, St James' Hall, Moore Park Road, London SW6 2JS.

Name and full postal address of your Bank or Building Society

To the Manager Bank or Building Society

Address

Postcode

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

– –

Banks and Building societies may not accept Direct Debit instructions from some types of account.

Service User No.

6	0	0	2	6	7

Reference Number

For Cofunds LTD official use only
This is not part of the instruction to your bank or building society.

Instruction to your Bank or Building Society
Please pay Cofunds Limited Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, details will be passed on electronically to my Bank/Building Society.

Signature Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Cofunds Ltd will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Cofunds Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request
- If an error is made in the payment of your Direct Debit, by Cofunds Ltd or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society
  - If you receive a refund you are not entitled to, you must pay it back when Cofunds Ltd asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Issued and approved by Cofunds Limited, One Coleman Street, London EC2R 5AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Conduct Authority (FCA) under FCA Registration No. 194734.
CA07 01/13

Investment ISA application form

2013/14 TAX YEAR – SELF-DIRECTED

The Chelsea **FundStore**

The disclosure documentation applicable to this transaction is: | 0 | 9 | 1 | 3 | S | D | I |

This form is for Self-Directed clients only

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2013/2014 tax year stocks and shares ISA and each subsequent year until further notice. You are not obliged to invest in subsequent tax years unless you choose to do so.
The ISA allowance for all investors is £11,520 for the 2013/2014 tax year.
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code | 7 | 7 |

% Initial Commission Waived **100%**

Please complete this Application Form using black ink and BLOCK CAPITALS and return to:
Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

I have not received advice from a financial adviser in relation to this investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Email Address

Daytime Tel No.

Male ☐ Female ☐ Date of birth __ __ / __ __ / __ __ __ __
D D M M Y Y Y Y

National Insurance Number __ __ / __ __ / __ __ / __ __ / __

If you do NOT have a National Insurance Number, please tick here. ☐

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.

2 Funding your investment

Please make your cheque(s) payable to Cofunds Limited.

I will be funding my investment by *(tick all that apply)*

☐ **Cheque** £ . Amount

☐ **Monthly Direct Debit** (please ensure you complete the 'Investment by Direct Debit' overleaf).

3 Investment Selection

Your total ISA subscription for each tax year must not exceed your ISA allowance.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2013/2014 For the amount of: £ **and for each subsequent tax year until further notice.**

I wish to invest in the funds indicated (for further details of the funds available, please refer to the Fund Key Features). Please ensure the funds are available through Cofunds.
Please note: your total ISA subscription for each tax year must not exceed your ISA allowance. For details, please refer to the Key Features of the Cofunds Investment ISA.
Your investment will be made in the Retail Share Class.

Tax Year	Fund Name	Type of Unit/Share *(delete as appropriate)**	Lump Sum *(minimum £500 per fund)*	Monthly amount per fund *(minimum £50 per fund)*
		ACC/INC	£	£
		ACC/INC	£	£
		ACC/INC	£	£
		ACC/INC	£	£
		ACC/INC	£	£
	Cash Reserve (if required)†		£	£
TOTAL INVESTMENT AMOUNT			**£**	**£**

***ACC/INC** If you do not specify ACC or INC in this column, and have not completed section 5, Cofunds will invest into accumulation units/shares where available.
†Monies may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.
Your cheque payment Cheques must either be drawn on your own or your joint account. The cheque must be made payable to **Cofunds Limited.** For a Building Society cheque or banker's draft your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payments from other third parties. We do not accept payment by any other method.
Your monthly savings For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

CHELSEA Investment Intelligence™ powered by cofunds

4 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.
You can only have one nominated bank account at any given time.

Name of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code

Bank/Building Society Account Number

Building Society Roll Number

5 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares within this product.

☐ **Consolidated Monthly Income**
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

☐ **Cofunds Cash Account**
Income generated will be paid into your cash account to be held on platform for withdrawals or future investment.

☐ **Retain in the fund**
Income generated from this investment will be retained in the fund.

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default.

6 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- I am resident in the United Kingdom for tax purposes, or,if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties.

I authorise Cofunds Limited to:

- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:

- I have been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature X Date

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary.
Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.
If you require a fund prospectus, please contact your Intermediary or Fund Manager directly.
If you wish to attend/vote at unit holder or shareholder meetings, please tick this box. ☐
If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx.
If you wish to receive paper copies of reports and accounts please speak to your Intermediary.You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.
We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Investment by Direct Debit

c•funds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

Please fill in the whole form and send it to:
Chelsea Financial Services, St James' Hall, Moore Park Road, London SW6 2JS.

Name and full postal address of your Bank or Building Society

To the Manager Bank or Building Society

Address

Postcode

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

Banks and Building societies may not accept Direct Debit instructions from some types of account.

Service User No.

6	0	0	2	6	7

Reference Number

For Cofunds LTD official use only
This is not part of the instruction to your bank or building society.

Instruction to your Bank or Building Society
Please pay Cofunds Limited Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, details will be passed on electronically to my Bank/Building Society.

Signature Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Cofunds Ltd will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Cofunds Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request
- If an error is made in the payment of your Direct Debit, by Cofunds Ltd or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society - If you receive a refund you are not entitled to, you must pay it back when Cofunds Ltd asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Issued and approved by Cofunds Limited, One Coleman Street, London EC2R 5AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Conduct Authority (FCA) under FCA Registration No. 194734.
CA07 01/13

Junior Investment ISA application form

The Chelsea **FundStore**

2013/14 TAX YEAR – SELF-DIRECTED

This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is: | 0 | 9 | 1 | 3 | S | D | I |

This application form is used to open a Junior Investment ISA with Cofunds and/or make subscriptions until the child is 18 years old.

The Junior Investment ISA allowance for all investors is £3,720 for the 2013/2014 tax year.

Please complete this Application Form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS

For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code | 7 | 7 |

I have not received advice from a financial adviser in relation to this investment.

1 Child Details (Please complete this section in full)

Existing Cofunds Client Reference

I apply to open a Junior Investment ISA and/or make subscriptions for

Mr/Mrs/Ms/Miss/Master/Other

Surname

Full First Name(s)

Male ☐ Female ☐ Date of birth __ __ / __ __ / __ __ __ __
D D M M Y Y Y Y

Current Permanent Residential Address

Postcode

National Insurance Number __ __ / __ __ / __ __ / __ __ / __
(if held)

If you do NOT have a National Insurance Number, please tick here. ☐

2 Applicant Details – Registered Contact* (Please complete this section in full)

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Male ☐ Female ☐ Date of birth __ __ / __ __ / __ __ __ __
D D M M Y Y Y Y

Current Permanent Residential Address

Postcode

Daytime Telephone No.

**The Registered Contact is a person with parental responsibility, or the child aged 16-18, if they so wish.*

3 Funding Your Investment

I will be funding my investment by (tick all that apply):

☐ **Cheque** £ . Amount ☐ **Monthly Direct Debit** (please ensure that the payer completes the 'Investment by Direct Debit' overleaf).

Please make your cheque(s) payable to Cofunds Limited.

Please note that the amount subscribed is a gift to the child and cannot be repaid to the subscriber if at a later date they change their mind.

4 Third Party Details (Please complete if relevant)

Please complete this section if you are not the child or Registered Contact but are funding the Junior Investment ISA investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

Daytime Telephone No.

5 Investment Selection

I wish to invest in the funds indicated (for further details of the funds available, please refer to the Key Features of the Cofunds platform and/or Key Investor Information Documents on our website or telephone us for a copy.) Please ensure the funds are available through Cofunds. Please note: subscriptions in each tax year of your Junior Investment ISA, in conjunction with subscriptions to a cash Junior Investment ISA (if held), must not exceed the child's JISA allowance. For details, please refer to the Key Features of the Cofunds Junior Investment ISA.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2013/2014 For the amount of: £ **and for each subsequent tax year until further notice.**

See page 6 for details of the Junior EasyISA.

NOTE: ALL INCOME MUST BE RETAINED IN THE FUND

Your investment will be made in the Retail Share Class.

Fund Name	Type of Unit/Share *(delete as appropriate)**	Lump Sum	Monthly amount per fund
The Chelsea Junior Easy ISA ☐ Cautious Equity Portfolio ☐ Balanced Equity Portfolio ☐ Aggressive Equity Portfolio **(tick one option only)**	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
TOTAL INVESTMENT AMOUNT		**£**	**£**

(See overleaf for notes on this section)

CHELSEA Investment Intelligence™

powered by cofunds

6 Investment Selection (continued)

***ACC/INC**
If you do not specify ACC or INC in this column. Cofunds will invest into accumulation units/shares where available. If you have chosen income units/shares the income generated will be reinvested. We cannot pay the income out.

Your cheque payment
Cheques must either be drawn on a UK bank account in Sterling. The cheque must be made payable to **Cofunds Limited.** For a Building Society cheque or banker's draft the name of the child must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payment by any other method.

Your monthly savings
For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first Direct Debit collection will be made on or just after the 25th day of the following month.

7 Declaration and Authorisation

I declare that:
The child named above will be the beneficial owner of the account investments.

- I am aged 16 years or over.
- I am the child/I have parental responsibility for that child (delete which does not apply).
- I/the child does not have a Child Trust Fund account.
- I will be the registered contact for the Junior Investment ISA.
- The child is resident in the UK, or is a UK Crown servant, a dependant of a UK Crown servant or is married to/in a civil partnership with a UK Crown servant.
- I have not subscribed and will not subscribe to another Junior Investment ISA for this child.
- I am not aware that this child has another Junior Investment ISA.
- I am not aware of other Junior Investment ISA subscriptions that will result in this child exceeding the annual limit.
- I will not knowingly make subscriptions to Junior Investment ISAs for this child that will result in the subscription limit being exceeded.

I authorise Cofunds Limited to:

- I agree to the Junior Investment ISA Terms & Conditions and confirm that to the best of my belief the information in this form is true.
- to make on the child's behalf any claims to relief tax in respect of Junior Investment ISA investments.

I agree to the Junior Investment ISA terms and conditions and confirm that to the best of my belief the information on this form is true.

I confirm that:

- I have been provided with the Terms & Conditions of the Junior Investment ISA and by signing this application form I agree to be bound by them.
- I have received and read the relevant product key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my Junior Investment ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature (Registered Contact) X	Date

Data Protection
Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary.
Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.
If you require a fund prospectus, please contact your Intermediary or Fund Manager directly.
If you wish to attend/vote at unit holder or shareholder meetings, please tick this box. ☐
If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx.
If you wish to receive paper copies of reports and accounts please speak to your Intermediary.You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.
We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Please note that the amount subscribed is a gift to the child and cannot be repaid to the subscriber if at a later date they change their mind.

Investment by Direct Debit

cofunds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

Please fill in the whole form and send it to:
Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

Service User No.

6	0	0	2	6	7

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
	Postcode

Reference Number

For Cofunds LTD official use only
This is not part of the instruction to your bank or building society.

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code
– –

Banks and Building societies may not accept Direct Debit instructions from some types of account.

Instruction to your Bank or Building Society
Please pay Cofunds Limited Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, details will be passed on electronically to my Bank/Building Society.

Signature	Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Cofunds Ltd will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Cofunds Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request
- If an error is made in the payment of your Direct Debit, by Cofunds Ltd or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society
  - If you receive a refund you are not entitled to, you must pay it back when Cofunds Ltd asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Issued and approved by Cofunds Limited, One Coleman Street, London EC2R 5AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Conduct Authority (FCA) under FCA Registration No. 194734.
JCA07 01/13

Investment ISA transfer form
SELF-DIRECTED

The Chelsea **FundStore**

This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is: 0 9 1 3 S D I

The ISA allowance for all investors is £11,520 for the 2013/2014 tax year.
Please complete this Application Form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7

% Initial Commission Waived **100%**

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

I have not received advice from a financial adviser in relation to this investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Daytime Tel No.

Email

Male Female Date of birth __ __ / __ __ / __ __ __ __
D D M M Y Y Y Y

National Insurance Number __ __ / __ __ / __ __ / __ __ / __

If you do NOT have a National Insurance Number, please tick here.

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.

2 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.
You can only have one nominated bank account at any given time.

Name of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code __ __ – __ __ – __ __

Bank/Building Society Account Number

Building Society Roll Number

3 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares you hold within this product.

Consolidated Monthly Income
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

Cofunds Cash Account
Income generated will be paid into your cash account, outside the ISA, to be held on platform for withdrawals or future investment.

Retain in the fund
Income generated from this investment will be retained in the fund.

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default which will apply to all income funds you hold within this product.

4 Declaration and Authorisation

I declare that:
- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- I am resident in the United Kingdom for tax purposes, or,if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties.

I authorise Cofunds Limited to:
- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:
- I have been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature X Date

Data Protection
Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary.
Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.
If you require a fund prospectus, please contact your Intermediary or Fund Manager directly.
If you wish to attend/vote at unit holder or shareholder meetings, please tick this box.
If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx.
If you wish to receive paper copies of reports and accounts please speak to your Intermediary. You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.
We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

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ISA Transfer Authority

This transfer authority should only be used for either the transfer of a Stocks and Shares ISA or a cash ISA into a Cofunds Stocks and Shares ISA. Please note that a separate authority will be required for each Plan/Account Manager. If transferring from more than one Plan/Account Manager, please request more Transfer Authority Forms from your adviser. Please ensure that you have signed both the Transfer Application Form and the Transfer Authority Form.

Existing Cofunds Client reference

Please complete all details requested

Name of Plan/Account Manager (from whom you wish to transfer)

Address

Postcode

I hereby instruct my current ISA Manager to either transfer my holdings to Cofunds Nominees Limited or liquidate the assets within my ISA with immediate effect, and forward the proceeds as specified below to my new Plan/Account Manager at **Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY. This transfer should include, where relevant, all former ISA and PEP investments.** I confirm that the re-registration of the funds listed will not change the beneficial ownership from the current holder. I confirm that this transaction is exempt from SDRT by virtue of paragraph 6 of Schedule 19 of the Finance Act 1999.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Signature X

Date

1 Funds that you wish to KEEP via re-registration (stock transfer)

Please list all funds that you hold with the above Plan/Account Manager that you wish to retain when you transfer your investment to Cofunds.

Fund Name	A/C or Plan Nos. (*This must be completed*)	Type of Unit/Share (*delete as appropriate*)*	Number of units
		ACC/INC	
		ACC/INC	
		ACC/INC	
		ACC/INC	
		ACC/INC	

*If you do not specify ACC or INC in this column, Cofunds will not be able to process your application. If you have chosen income units/shares, please ensure you complete section 2 of the Investment ISA (stocks and shares) Transfer Application to have income paid to you.

2 Funds that you wish to SELL (cash transfer)

Please list all funds that you hold with the above Plan/Account Manager that you wish to sell and transfer the proceeds to Cofunds. Please also complete Section 3 (if applicable) and Section 4 to tell us which funds you wish to reinvest into. **Please ensure the funds you choose are available through Cofunds.**

Fund Name	A/C or Plan Nos. (*This must be completed*)

3 Cash ISA Transfer

If applicable, please indicate either of the following to be transferred into your Cofunds Investment ISA:

All my cash ISA **OR** An amount of my cash ISA £ .

Sort Code – –

Is there any notice period for you to transfer your cash ISA? Days

A/C or Plan Nos. (This must be completed)

4 Transfer Investment Choices (Please refer to the fund charge schedule and complete in full)

I wish to transfer the proceeds of my existing ISAs into the Chelsea EasyISA (please tick one of the portfolios below). Minimum Transfer of £2,100. See pages 5, 6 and 7 of Chelsea Viewpoint for details.

Existing Cofunds Client ref

	(✓)
Cautious Growth EasyISA	
Balanced Growth EasyISA	
Aggressive Growth EasyISA	
Income EasyISA (please complete income payment overleaf)	
Global Income EasyISA (please complete income payment overleaf)	

Or select your own funds and complete this section below:

Fund Name	Type of Unit/Share (ACC/INC)*	Transfer %
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
† Cash Reserve (if required)		
		Total 100%

* **ACC/INC**
If you do not specify ACC or INC in this column, and/or have not completed Section 3 and, if applicable, Section 2 of the Transfer Application form, Cofunds will invest into accumulation units/shares where available.

† Monies may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.

CO 407/CFS002 01/13

Investment Funds application form
SELF-DIRECTED

The Chelsea **FundStore**

This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is: 0 9 1 3 S D I

Cofunds Intermediary Authorisation Code 7 7

Please complete this Application Form using black ink in BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
You will require a Cofunds authorisation code before being able to transact business. If you do not include this we will not be able to process this application.
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

1 Personal/Company Details (Please complete this section in full)

Private/Corporate Investor(s) 'Primary' Holder. *Please see section 3 to add additional holders.*

Existing Cofunds Client Reference

I have not received advice from a financial adviser in relation to this investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

or Company Name

Email Address

Daytime Tel No.

Male Female Date of Birth ___ ___ / ___ ___ / ___ ___ ___ ___
D D M M Y Y Y Y

Current Permanent Residential Address (if registering in the name of a company, please provide the company address here)

Postcode

Time at this Address yrs mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.

2 Designations (You can designate an account here using a maximum of 8 alpha/numeric characters)

If you wish to specify a unique designation for this account, please ensure that the designation reference does not make a meaningful word. Only the named applicants of this investment will be recognised as beneficial owners. If this section is not completed we will not designate this account. If you are funding this investment from a Cofunds Cash Account please ensure this designation is identical to that of the cash account.

3 Joint Holder (You can nominate one additional holder)

Please include the full name and address of each holder. All correspondence will be sent to the 'Primary' Holder.

Second named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

Male Female Date of Birth ___ ___ / ___ ___ / ___ ___ ___ ___
D D M M Y Y Y Y

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.

4 Funding your investment

I will be funding my investment by *(tick all that apply)*

Cheque £ . Amount

Cofunds Cash Account £ . Amount

Please ensure that all the joint holders and the designation (if specified) on this application form match this cash account.

Monthly Direct Debit (please ensure you complete the 'Investment by Direct Debit' overleaf).

5 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.
You can only have one nominated bank account at any given time.

Name of Account Holder

Bank or Building Society Name and address

Postcode

Branch Sort Code – –

Bank/Building Society Account Number

Building Society Roll Number

6 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares within this product.

Consolidated Monthly Income
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

Cofunds Cash Account
Income generated will be paid into your cash account to be held on platform for withdrawals or future investment.

Retain in the fund
Income generated from this investment will be retained in the fund.

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default which will apply to all income funds you hold within this product.

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7 Investment Selection

Minimum investment £500 per fund (Lump Sum) or £50 per month per fund (Monthly savings). Your investment will be made in the Retail Class. For details of Funds available, please refer to the Fund Key Features.

Fund Name	Type of Unit/Share *(delete as appropriate)**	Lump Sum Minimum £500 per fund	Monthly Minimum £50 per fund
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
TOTAL INVESTMENT AMOUNT		**£**	**£**

***ACC/INC** If you do not specify ACC or INC in this column, and have not completed section 6, Cofunds will invest into accumulation units/shares where available.

Your cheque payment Cheques must either be drawn on your own or your joint account. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payments from other third parties. We do not accept payment by any other method.

Your monthly savings For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

8 Declaration and Authorisation

I confirm that:

I have been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) and by signing this application form I agree to be bound by them.

I have received and read the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.

I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.

I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.

I understand that instructions may be delayed or rejected if this application form is not complete in all respects.

You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search.

I declare that the information contained in this application form is correct to the best of my knowledge and belief. I am aged 18 or over.

Please note that all joint holders must sign this application.

Where there are two signatories for a corporate investor, please delete reference to primary and second holder.

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.

With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.

If you require a fund prospectus, please contact your Intermediary or Fund Manager directly.

If you wish to attend/vote at unit holder or shareholder meetings, please tick this box.

If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx.

If you wish to receive paper copies of reports and accounts please speak to your Intermediary.You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Primary Holder Signature X	Date
Capacity (if applicable)	

Second Holder Signature X	Date
Capacity (if applicable)	

CA03 01/13

Investment by Direct Debit

c•funds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

Please fill in the whole form and send it to:
Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
Postcode	

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

– –

Banks and Building societies may not accept Direct Debit instructions from some types of account.

Service User No.

6	0	0	2	6	7

Reference Number

For Cofunds LTD official use only

This is not part of the instruction to your bank or building society.

Instruction to your Bank or Building Society

Please pay Cofunds Limited Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, details will be passed on electronically to my Bank/Building Society.

Signature	Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Cofunds Ltd will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Cofunds Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request
- If an error is made in the payment of your Direct Debit, by Cofunds Ltd or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society
  - If you receive a refund you are not entitled to, you must pay it back when Cofunds Ltd asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Would you **recommend** Chelsea?

...if you do, we'll say Thank You with up to 50 pounds worth of M&S vouchers.

Many of our clients come to us after being recommended by an existing client. We are very pleased and grateful that many people are so happy with our service that they feel confident enough to recommend us to their friends and family.

If you recommend a friend (someone new to Chelsea) we will send them details of our services, and will send to you:

- **£50 worth of Marks & Spencer vouchers if they invest or transfer over £25,000**
- **£25 worth of Marks & Spencer vouchers if they invest or transfer over £5,000**

Investments must be retained with us for at least 12 months.

Just complete the form below and return it to us. You can recommend as many people as you like – there's no limit.

YOUR DETAILS

Name:

Address:

Postcode:

Telephone:

FRIEND'S DETAILS

Title: First name:

Surname:

Address:

Postcode:

Telephone:

FRIEND'S DETAILS

Title: First name:

Surname:

Address:

Postcode:

Telephone:

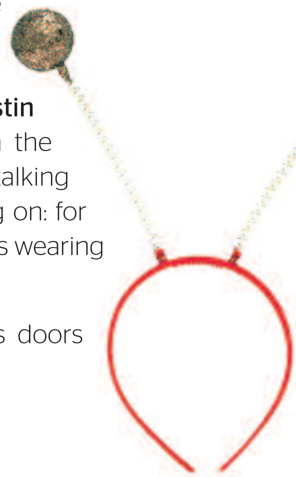
CHELSEA
Investment Intelligence™

Chelsea Financial Services PLC
St James' Hall, Moore Park Road,
London SW6 2JS

Registered in England No. 1728085

1983 and all that...

1983 saw the opening of the Enterprise Zone on the Isle of Dogs – the first stage of the redevelopment of **Docklands** – a significant landmark for London, and for the financial services industry as whole. More importantly, in football it was Bob Paisley's year. **Liverpool** were crowned Division One champions in the 1982-83 season, and they were League Cup winners too. Plucky **Chelsea** finished 18th ...in the second Division. John **McEnroe** and Martina **Navratilova** were Wimbledon singles champions, and Tom **Watson** won the British Open. **Madonna**'s debut album Madonna launched her on the path to global super stardom and inevitable egomania, while **New Order**'s pioneering Blue Monday electrified nightclubs across the land, although mainly in Manchester. And pre-squiggle **Prince** was suggesting that we really ought to forget about 1983 and pretend that it's 1999. The third **Star Wars** film, Return of the Jedi (known as Star Wars VI, obviously) was the top-grossing film of the year in the US. The film that perhaps best reflects the strutting, white jacket-swinging period was **Staying Alive**; supercool at the time, excruciating now. But it was David Lean's **Gandhi** that swept the board at the Oscars. **TV-AM** was launched to great fanfare, but struggled to compete for ratings with the BBC's also brand-new Breakfast Time. The most notable, but largely ignored at the time, comedy show was **The Black Adder** – the first, faltering series of the shows that went on to become a British institution, and gave us immortal lines like, "We're in the stickiest situation since Sticky the Stick Insect got stuck on a sticky bun." Speaking of sticky situations, unemployment was at a record high of over 3.2 million. Despite this, **Margaret Thatcher** was re-elected by a landslide on the back of the 1982 Falklands victory and against a divided, weakened Labour Party. Leader Michael **Foot** was replaced by the reforming go-getter Neil **Kinnock** who would surely deliver a victory next time round... Coincidentally Tony **Blair** and Gordon **Brown** became MPs for the first time. We now know that in 1983 a speech was drafted by senior civil servants – a speech that the **Queen** would read to the nation in the event of a nuclear war with Russia. This was perhaps the darkest and most chilling period in the cold war, warmed only by the cosy special relationship between Mrs Thatcher and **President Reagan**. However, 1983 was an exciting year for innovation and progress: the **pound coin** replaced the pound note; the **CD** replaced the cassette tape; James **Dyson** built his first vacuum cleaner; the British-built **Thrust2** beat the world land-speed record; the **wheel clamp** was introduced in the UK; and the **Austin Maestro** was launched by British Leyland to take on the Volkswagen **Golf** ...and failed miserably, despite its talking dashboard. Tons of other world-shaping events were going on: for example Derby winner **Shergar** was stolen, literally everyone was wearing **deely boppers**, and **Cheryl Cole** was born.



And, most momentous of all, **Chelsea Financial Services** opened its doors for the first time...!